Indiana Utility Regulatory Commission

2014 annual report

Table of Contents

Operations

Acronyms

Glossary

DSM Report

Introduction

Purpose of this Report

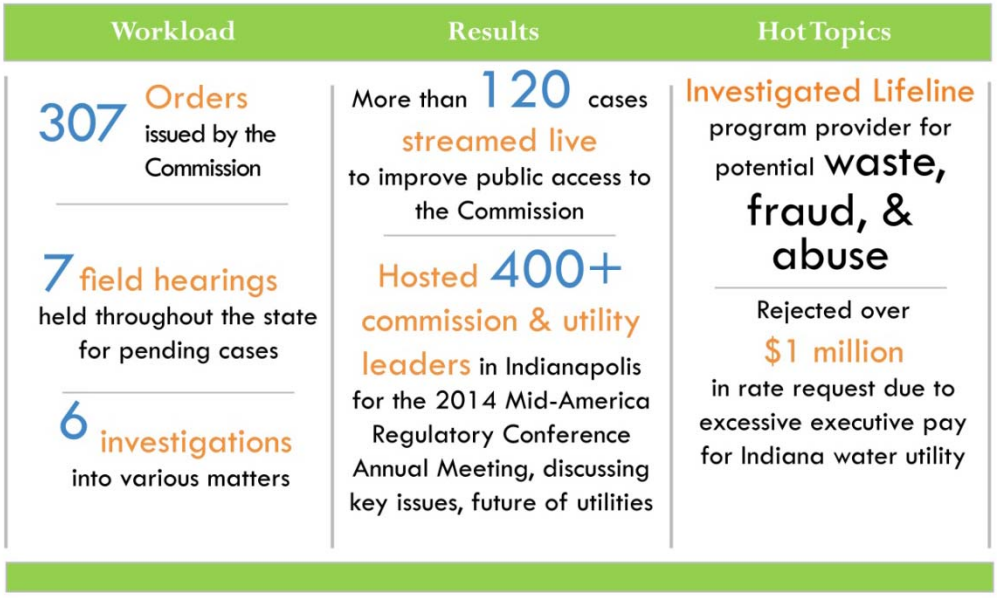
The Indiana Utility Regulatory Commission (Commission or IURC) hereby submits this Annual Report pursuant to state statute. The Commission's charge is to provide an overview of the agency's work over the past fiscal year and the changes in each utility industry over which it has jurisdiction, as well as summarize recent legislation and its impact on the agency and the utilities it regulates. This year marks a change in the Commission's Annual Report. Previously, the report was titled "Annual Report to the Regulatory Flexibility Committee of the Indiana General Assembly." Starting this year, this report will be presented to the newly-formed Interim Study Committee on Energy, Utilities, and Telecommunications and is titled simply "Indiana Utility Regulatory Commission Annual Report." Not only is this a report to members of the Indiana General Assembly, but it is also the Commissions' report to the Governor's Office and all stakeholders and interested parties, including, federal, state, and local leaders and elected officials, other state agencies, industry groups, utilities, and the public. This report also coincides with the release of the Commissions' Water Utility Resource Report (WURR), also required by statute. The WURR makes several recommendations regarding Indiana's water resources and utilities and provides data regarding the states' utilities and their supply, rates, and infrastructure. In addition to this years' Annual Report, the Commission was required to provide information on electric demand side management (DSM) programs in the state. The DSM Report was submitted on August 15, 2014, to the legislature and is included in this Annual Report as a reference.

Mission

The Commission is an administrative agency that hears evidence in cases filed before it and makes decisions based on the evidence presented in those cases. An advocate of neither the public nor the utilities, the Commission is required by state statute to make decisions that weigh the interests of all parties to ensure the utilities provide safe and reliable service at just and reasonable rates.

Agency Accomplishments

Over the course of the last year, the Commission handled a number of high-profile cases, made the regulatory process more transparent, and issued decisions with immediate and direct benefits to utility customers. The graphic on the next page details a sampling of these accomplishments.



Dedication to Public Service

The four current Commissioners have more than 34 years of federal and state public utility regulatory experience. In 2013, the national average collective years of experience for a state utility commission was 18.5 years. Notably, Commissioner David Ziegner, has nearly 24 years of service and is one of the longest serving utility regulatory commissioners in the nation.

A number of IURC staff members have more than 25 years' experience. Many others have advanced degrees and/or are members of state and federal committees.

The Commission typically consists of five Commissioners. The Commission also has an executive team who oversee the following areas: Administrative Law Judges, External Affairs, General Counsel, and Technical Operations. Currently, the Commission has a vacancy in one of the Commissioner appointments and in the Executive Director for External Affairs position. The Commission has a dedicated, professional staff of 73 people, many of whom are attorneys, accountants, analysts, or engineers, who advise the Commission about utility regulatory matters affecting the state. A number of these staff members have more than 25 years' experience. Many others have advanced degrees and/or are members of state and federal committees.

Leadership

The Commissioners

Commission Chair
Carol Stephan

Commissioner/Vice Chair
Carolene Mays-Medley

Commissioner
Angela Weber

Commissioner
David Ziegner

Carol Stephan

Commission Chair

Carol Stephan was appointed by Governor Mike Pence as Chair of the Indiana Utility Regulatory Commission on May 20, 2014, and as Commissioner on March 3, 2014. Prior to her appointment as Commissioner, Carol served for two years as an Assistant General Counsel with the Commission, providing legal support to the agency on a wide variety of issues.

Additionally, from 2007 to 2009 Carol served as General Counsel, Director of Case Management, and Ethics Officer for the Indiana Office of Utility Consumer Counselor, the state agency that advocates on behalf of ratepayers before the Commission. In that capacity, she was responsible for staff compliance with the Indiana Code of Ethics, general management and supervision of legal and support staff, and agency budget and procurement.

Prior to her work in utility law, Carol served as Interim Deputy Commissioner of the Indiana Department of Workforce Development. As a member of the agency's leadership team, she supervised the workforce services staff and coordinated with statewide Regional Workforce Boards, partner agencies, and external organizations to administer federal and state funded workforce development programs through Indiana's WorkOne system.

Carol has also worked in the non-profit sector as Director of Special Projects for Goodwill Industries of Central Indiana. While at Goodwill, she led the pilot charter school project, TechWest, and assisted in the development of several workforce programs serving at-risk youth, unemployed, disabled, and immigrant populations.

A native of Indianapolis, Carol earned her undergraduate degree in Comparative Literatures from Indiana University and her law degree from the Indiana University Robert H. McKinney School of Law. An avid volunteer, Carol recently served as a board member of Project Home

Indy, a central Indiana non-profit that provides long-term residential and support services to homeless, pregnant, and parenting teen mothers and their children.

A longtime member of St. Joan of Arc Catholic Church, she lives in Carmel, Indiana with her husband, Bill. They are the parents of two adult children, Laura and Paul.

Carolene Mays-Medley

Commissioner / Vice Chair

Carolene was appointed to the Indiana Utility Regulatory Commission by Governor Mitch Daniels in 2010 and reappointed by Governor Pence in 2013. Recently named one of Smart Grid's 50 Pioneers of 2013, Carolene is also the past President of the Mid-America Regulatory Conference (MARC). She serves on the National Association of Utility Regulatory Commissioners (NARUC) Water and Washington Action Committees, and is the Chairperson of the Critical Infrastructure Committee. She also serves as the Commission's Vice Chair.

Previously, she was Publisher and President of the Indianapolis Recorder Newspaper and the Indiana Minority Business Magazine. She also was a finalist for an appointment by President Barack Obama as the Midwest Regional Director of Housing and Urban Development.

Carolene served in the Indiana House of Representatives from 2002 to 2008, where she received several Legislator of the Year awards. She was listed as a "Rising Star in Indiana Politics" and was named one of "Indiana's Most Influential Women."

Carolene is a member of the Center for Public Utilities Advisory Council at New Mexico State University, serves on the Indianapolis Capital Improvement Board, Indiana Sports Corporation Board, and Peyton Manning's PeyBack Foundation, among others. She was the NCAA Women's Final Four chairperson in 2006 and 2011, and 2012 Indianapolis Super Bowl Chairperson of Administration.

She is a member of Alpha Kappa Alpha Sorority, the Indianapolis Chapter of Links and Northeasterners. She is married to Fred Medley and has one daughter, Jada, and three step-sons, Frederick II, Niles, and Chase.

Angela Weber

Commissioner

Angela Weber was appointed to the Indiana Utility Regulatory Commission by Governor Mike Pence on March 10, 2014 and reappointed by Governor Pence to a full term on April 1, 2014. Prior to her appointment to the Commission, she practiced law for the Indianapolis law firm Ice Miller, LLP, as a member of the firm's Environmental Law Group.

A dedicated public servant, Angela has served in the local, state, and federal government. She served as a Marion County Deputy Prosecuting Attorney in Indianapolis, Indiana where she

conducted jury and bench trials. Angela also served as a staff attorney for the Indiana Department of Education and as an Administrative Law Judge for the Indiana Utility Regulatory Commission.

A U.S. Army Veteran, Angela served from 1996–2000 as a Russian Linguist/Voice-Intercept Operator. She was a member of SFOR 7, the NATO-led peacekeeping mission in Bosnia and Herzegovina. She was honorably discharged in 2000.

Angela earned a bachelor of arts from Indiana University in Bloomington, Indiana in 1996. She received her juris doctor from the Indiana University Maurer School of Law in 2006 and was admitted to the Indiana Bar in that same year. While in law school, she was the Senior Production Editor of the Federal Communications Law Journal and a member of the Trial Competition Team. She is the Chairperson of the Utility Law Section of the Indiana State Bar Association and an alumna of the Richard G. Lugar Excellence in Public Service Series, Class of 2010–2011. She is a member of the American Legion, National Trust for Historic Preservation, and Indiana Landmarks.

David Ziegner

Commissioner

Commissioner Ziegner was appointed to the Indiana Utility Regulatory Commission on August 25, 1990, by Governor Evan Bayh and reappointed to a full, four-year term in April of 1991 and again in December of 1995. He was reappointed by Governor Frank O'Bannon in 1999 and 2003. Commissioner Ziegner was reappointed by Governor Mitch Daniels in March 2007 and again in April 2011. A Democrat, David's term expires April 2015.

Commissioner David is the Treasurer of the National Association of Regulatory Utility Commissioners' (NARUC) and is a member and former vice-chair of the National Association of Regulatory Utility Commissioners' (NARUC) Committee on Electricity and is former chairman of its Clean Coal and Carbon Sequestration Subcommittee. He is also a member of the Mid-America Regulatory Conference.

Additionally, David was also former chairman of the Advisory Council of the Center for Public Utilities at New Mexico State University and a member of the Consortium for Electric Reliability Technology Solutions (CERTS) Industry Advisory Board. He is a former member of the Advisory Council of the Electric Power Research Institute (EPRI).

David is a native Hoosier. He earned his B.A. in history and journalism from Indiana University in 1976. He obtained his J.D. degree from the Indiana University School of Law in Indianapolis in 1979 and was admitted to the Indiana Bar and U.S. District Court in that same year.

Prior to joining the Commission, he served as a staff attorney for the Legislative Services Agency, where he developed his background in both utility and regulatory issues. As the agency's senior staff attorney, he specialized in legislative issues concerning utility reform, local measured

telephone service, the citizen's utility board and pollution control. Most recently, he was the General Counsel for the IURC.

David, his wife, Barbara, and their daughter, Jennifer, reside in Greenwood and are members of the Northminster Presbyterian Church.

Executive Team

Executive Director of Technical Operations Bob Veneck

Chief Administrative Law Judge Loraine Seyfried

General Counsel Beth Krogel Roads

Bob Veneck

Executive Director of Technical Operations

Executive Director Bob Veneck leads the technical operations group and is the senior supervisory authority over the Commission's electricity, natural gas, water/wastewater, communications, and pipeline safety divisions. In addition, Veneck is the liaison to the State Utility Forecasting Group at Purdue University for matters requested by the Commission.

Loraine Seyfried

Chief Administrative Law Judge

Chief Administrative Law Judge Loraine Seyfried leads the Commission's staff of administrative law judges who, along with the Commissioners, preside over docketed proceedings before the Commission. She assists in the management of the Commission's hearing docket by making initial recommendations on case assignments and procedure, overseeing the hearing process, and providing advice in the preparation and review of Commission decisions.

Beth Krogel Roads

General Counsel

General Counsel Beth Krogel Roads serves as the chief legal advisor to the Commission, as well as being the Commission's Ethics Officer. The Office of General Counsel attorneys provide complete legal support for all aspects of the Commission's operations and statutory requirements. Additionally, they conduct legal research on a wide range of issues, participate in matters before the Federal Energy Regulatory Commission and the Federal Communications Commission, and preside over Commission rulemakings.

To Be Named

Executive Director of External Affairs

This Executive Director leads the external affairs team and serves as the chief liaison for legislative issues. The Executive Director of External Affairs is also the senior supervisory authority over the Consumer Affairs Division. This position is currently open.

Administrative Law Judges

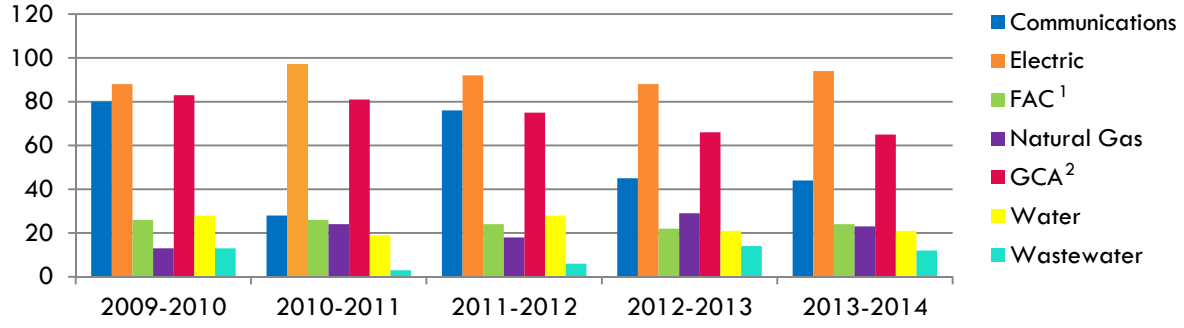
Docketed Cases

During fiscal year 2013-2014, 287 petitions were filed with the Commission, which are detailed in Chart 1. Petitions are given a docket number upon receipt and assigned an Administrative Law Judge and a Commissioner, who serve as the presiding officers. To access information pertaining to a docketed case, please visit our Electronic Document System at: https://myweb.in.gov/IURC/eds/. Here, you can search for a case by entering the docket number, industry, petition date, petition type, party or order date, and clicking "search." To watch hearings that are live streamed, please visit: www.in.gov/iurc/2624.htm.

Chart 1

Petitions Filed by Industry

Five-Year Comparison



[1]FAC = Fuel Adjustment Clause
[2]GCA = Gas Cost Adjustment

Office of General Counsel

General Administrative Orders

Following the passage of Senate Enrolled Act 340, Governor Michael R. Pence requested that the Commission make recommendations regarding energy efficiency and DSM policy and programs. Governor Pence further requested that "the IURC work with all relevant stakeholders to assist our administration in formulating the most effective energy efficiency policy for Indiana." On April 9, 2014, the Commission approved a General Administrative Order (GAO 2014-1), establishing an open, transparent process for interested stakeholders to submit written comments within 60 days to the Commission regarding energy efficiency and DSM policy and programs. All of the written comments received, as well as other relevant information, has been posted on the Commission's website at www.in.gov/iurc/2802.htm.

In addition, in GAO 2013-8, the Commission clarified the process and procedures for requesting a public hearing regarding violations of the 811 Call Before You Dig law (Ind. Code 8-1-26) and the penalties recommended to the Commission by the Indiana Underground Plant Protection Advisory Committee.

Rulemakings

Before the Commission may add or make changes to its existing rules, it must follow the formal rulemaking process. By doing so, this ensures the opportunity for public comment and allows the issues at hand to be fully vetted. In addition to the formal process dictated by state procedures, it is the practice of the Commission to hold informal workshops and discussions with stakeholders prior to initiating a formal rulemaking. Although the rule development process can extend the time the rule is discussed, it helps achieve common ground among stakeholders before the formal process begins.

In order to make it easier for interested parties to follow the rulemaking process, the Commission redesigned its rulemaking webpage. Readers can browse emergency, pending, and effective rules in a more streamlined manner. For more information or to access documents and public comments related to these rulemakings, please visit: www.in.gov/iurc/2658.htm.

Pending Rules	IURC RM #	LSA Doc #	Status
Revisions to Integrated Resource Planning	**11-07**	**TBD**	**Rule Development**
Scope of Rule: Integrated resource planning is a process used by electric utilities to evaluate all supply and demand-side alternatives available to meet future electricity requirements. This rulemaking stems from the IURC's Order in Cause No. 43643 to update the integrated resource planning rules based on the current utility industry standards since the rule was first published. The rule defines requirements electric utilities must meet when filing IRPs with the Commission. Electric utilities and other stakeholders assisted in developing a draft proposed rule; however, this rule has been placed on hold due to the Rulemaking Moratorium. In the meantime, Indiana's electric utilities have been voluntarily complying with the draft proposed rule.			

External Affairs

As a governmental agency whose operations affect the public, the Commission welcomes requests from legislators on matters affecting the utility industry. Below is the general contact information for the agency; however, if you or your constituents have specific questions or concerns, please contact Beth Krogel Roads, General Counsel, at 317-232-2092.
Phone: (317) 232-2092 | **Consumer Affairs Division:** 1-800-851-4268 | **Web:** www.in.gov/iurc

Consumer Affairs Division

In Indiana, two separate state agencies deal with utility-related issues – the Commission and the Indiana Office of Utility Consumer Counselor (OUCC). The Commission regulates rates, charges, and service quality for most Indiana utilities, whereas the OUCC represents consumer interests in all cases before the Commission. Starting in September 2011, the two agencies streamlined the dispute resolution process, directing all customer complaints about regulated utilities (e.g., disconnections, billing disputes, and metering concerns) to the IURC's Consumer Affairs Division.

This means that the Commission is the appropriate agency to contact for constituents with a complaint against a regulated utility. For comments on pending cases or problems concerning a non-jurisdictional utility, please contact the OUCC. As the state's utility consumer advocate, it is best positioned to assist with these issues. The OUCC's Consumer Services Division can be reached at 1-888-441-2494.

Contact Us

Front desk:
317-232-2701

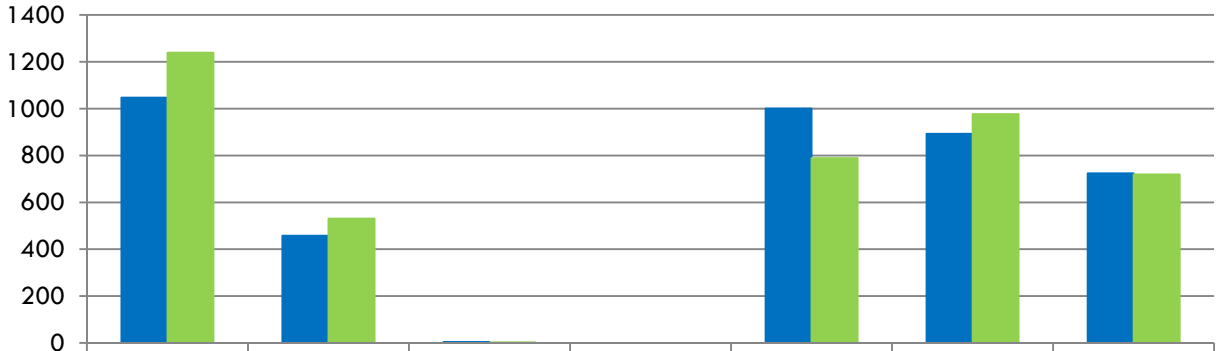
Legislative inquiries:
317-232-2092

Consumer Affairs Division:
1-800-851-4268

Commissioners:
317-232-2705

This past year the IURC's Consumer Affairs Division saw a slight increase in the number of complaints it received. Chart 2 on the following page shows the breakdown of complaints for the past two fiscal years. These numbers show customer complaints have remained fairly stable and that no one industry experienced an unusual increase in the number of complaints in 2013.

Chart 2
Consumer complaints by industry
Fiscal year 2012-2013 and 2013-2014



	Electric	Gas	Information Services	Pipeline	Telecom	Video	Water/Sewer
2012-2013	1047	458	4	0	1001	893	724
2013-2014	1239	531	2	0	789	977	719

The most frequently received calls by the Consumer Affairs Division involve questions about communications services and billing. In fact, telecommunications and video complaints combined make up approximately 50% of all complaints in any given month. When an analyst from the Consumer Affairs Division receives a consumer complaint, the analyst investigates the matter to verify that the customer is being billed correctly and that the utility is in compliance with the IURC's rules and regulations. If a problem is identified, the analyst works with the consumer to remedy the situation. In some cases, this may result in a bill adjustment or refund for the customer. The graphic on the following page highlights the operations of the Consumer Affairs Division and the results it has achieved this past fiscal year.

Workload

11,182 calls received by Consumer Affairs

Increased participation in **rulemakings** & **field hearings** to assist customers with questions

133 = average number of open complaints on any given day

5 staff members

Results

Customer complaint led to a **$31,569** refund on a water bill due to a **calculation error**

$242,222.18 total **returned** by utilities to customers who filed **complaints** with the Consumer Affairs Division

Hot Topics

Citizens Gas & Water's **billing conversion** led to a **spike** in consumer calls ↑

Customers serviced by Utility Center, Inc. reported **low water pressure** last summer

Complaints doubled when calls came in from Comcast customers about being **billed** for an **additional cable adapter** $

Technical Divisions

Electricity

Electricity Division Director Dr. Brad Borum and his division monitor and evaluate regulatory and policy initiatives affecting the state's electric industry. Dr. Borum has been with the Commission for 27 years and has a doctorate in economics. The division reviews and advises the Commission on regulatory proceedings initiated by Indiana electric utilities involving increases in rates, environmental compliance plans, permission to build or purchase power generation plants, energy efficiency programs, and other matters. It also monitors electric utility performance for reliability and service quality. The Electricity Division's staff examines information from Commission-initiated investigations and assists the Commission in developing potential rulemakings. The division is responsible for monitoring actions by regional transmission organizations (RTO) and the Federal Energy Regulatory Commission (FERC) that may affect Indiana's electric utilities and ratepayers. Staff also maintains the collection of annual reports for all jurisdictional electric utilities, including the periodic earnings review of each provider with more than 5,000 customers.

Due to the growing impact of regional and federal energy policies on Indiana, the Commission organized an intra-agency RTO/FERC team that has been charged with monitoring, evaluating and recommending policy and positions to the IURC Commissioners and Executive Team. The RTO/FERC team actively monitors the activity of the two RTOs that operate in Indiana: the Midcontinent Independent Transmission System Operator, Inc. (MISO) and the PJM Interconnection, LLC (PJM). The team also represents the Commission at committee meetings and participates in FERC regulatory proceedings that affect Indiana utilities and consumers. In addition to the responsibilities listed above, the RTO/FERC team provides counsel on docketed activities dealing with regional and federal energy issues that come before the Commission, and works on integrated resource planning to coordinate on matters affecting electric utilities' long-term resource plans.

Natural Gas and Pipeline Safety

Natural Gas Division Director Jane Steinhauer manages her staff in monitoring and evaluating regulatory and policy initiatives affecting the natural gas utility industry. Steinhauer has been with the Commission for 28 years and has a master's degree in business administration. The division is responsible for examining and evaluating proceedings involving gas cost adjustments, rates, service territories, Commission-initiated investigations and industry-related rulemakings, which includes analyzing various forms of alternative regulatory proposals.

Additionally, the division's responsibilities include advising the Commission on policy-related matters (e.g., gas procurement practices) and financial matters that are directly related to utility proposals requesting authority to adjust current rates and charges. The division verifies the accuracy of filings from utilities and other parties as a result of cases or regulatory compliance mandates. Staff also maintains the collection of annual reports for all jurisdictional natural gas

utilities, including the periodic earnings review of each provider with more than 5,000 customers. The division also coordinates with IURC Pipeline Safety Division Director Steve Allen, who has been with the agency for three years and has a bachelor's in accounting and an MBA. His division administers federal and state pipeline safety standards that apply to all intrastate natural gas and hazardous liquid pipeline operators, regardless of whether they have withdrawn from the Commission's jurisdiction.

Pipeline Safety engineers enforce the safety standards established by the U.S. Department of Transportation as they apply to the design, installation, inspection, testing, construction, extension, operation, replacement and maintenance of the pipeline facilities. The division also enforces the U.S. Department of Transportation's anti-drug program for gas operators within Indiana, as well as integrity management, operator qualification, and damage prevention regulations. In addition, the division is responsible for investigating possible violations of the "811 Call Before You Dig" law.

Communications

Communications Division Director Pamela Taber and her staff manage Indiana-specific issues related to video and telecommunications services. Taber has been with the Commission for 30 years and has a bachelor's degree in accounting and is also a Certified Public Accountant. The division executes Commission oversight and serves as both the sole video franchise authority and direct marketing authority for video service providers in Indiana and provides policy advice on telecommunications issues, such as numbering and area code issues; slamming and cramming; telecommunications providers of last resort; and disputes between carriers. The division also oversees the certification of communications service providers and monitors competition in the communications industry by gathering, tracking and storing information about all types of communications providers and the areas where they offer their services.

Communications issues under consideration at the federal level are also an important concern of the division. Because it is essential to identify and when appropriate, act upon the many federal policy matters that have the potential to affect Indiana's economy, the division monitors, reviews, and provides analysis and recommendations to the commissioners about possible Commission participation in federal rulemakings and cases. This ensures that the concerns and needs of Indiana are heard by agencies such as the Federal Communications Commission, the National Telecommunications and Information Administration, the Rural Utilities Service, among others.

Water and Wastewater

Water and Wastewater Division Director Curt Gassert and his team develop, monitor, and evaluate regulatory and policy issues affecting the water and wastewater industries. Gassert has been with the Commission for seven years and has a bachelor's degree in accounting. He is also a Certified Public Accountant. Prior to this position, he was with the OUCC for 11 years.

The majority of the division's time is spent advising the Commission on technical matters, as well as reviewing pending rate cases. The Water and Wastewater Division staff also provides assistance with utility investigations, Commission rulemakings, and complaints submitted to the Consumer Affairs Division. Billing disputes and the disconnection of service are the most common type of consumer complaint. The Commission's investigations, both formal and informal, frequently involve the resolution of problems created by at-risk water or wastewater utilities. Typical rulemakings include developing policies for water meter testing standards and criteria for processing differing types of utility requests for rate increases.

The division also processes requests by water and wastewater utilities to change rates and charges through the 30-day filing process. The 30-day filing process is designed to allow certain types of requests, such as changes to reconnect fees and adjustable rate mechanisms (trackers), to be reviewed and approved by the Commission in a more expeditious and less costly manner than a formal docketed case. Additionally, staff maintains the collection of annual reports for all jurisdictional water and wastewater utilities, including the periodic earnings review of each utility with more than 5,000 customers.

Electricity Report

Executive Summary

The Electricity section of the Annual Report discusses key issues facing the industry. These topics include proposed environmental regulations, infrastructure incentives approved by the legislature, and cybersecurity concerns. It also highlights actions taken by the Commission to address specific challenges associated with these topics.

Proposed Environmental Regulations

Based on preliminary analysis, recent environmental decisions being made at the federal level have the potential to negatively impact the state of Indiana. Timeframes associated with new regulations are expected to cause significant investment costs in order to comply with these new regulations, and Indiana's reliance on coal. According to the State Utility Forecasting Group (SUFG), new federal clean air regulations are projected to increase Indiana electricity rates about 14% by 2020, which is in addition to the 20% increase projected over the next five years by analysts. The impact is greater here in Indiana than in other states. This is because coal-fired power plants targeted by the U.S. Environmental Protection Agency (U.S. EPA) for environmental modifications generate 76.4% (based on 2013 projections) of the electricity used in Indiana (down from 85% in the 2010 projection); nationally this figure is 39.1% based on 2013 U.S. Energy Information Administration (EIA) data.

Infrastructure Incentives

In addition to establishing a 300-day timeline for rate cases, Senate Enrolled Act 560 (SEA 560) also provided new incentives for utility companies and businesses. In order to encourage investment in transmission and distribution systems, the legislature created a new tracker called the transmission, distribution and storage system improvement charge (TDSIC), which covers projects related to safety, reliability, system modernization, and economic development. Traditionally, these costs would have been included in rates for recovery in a base rate case. However, utilities can now petition for recovery on a more frequent basis. With regard to economic development incentives, the legislature also provided a temporary discount to the demand component of a company's rates and charges for businesses meeting certain criteria.

Electric Rates

Indiana's annual ranking for average total customer retail rates from 2000 to 2013 ranged from 9th lowest in 2000 to 4th lowest in 2002 to 15th lowest in 2013. The variability in ranking is the result of many factors, including the timing of rate cases both in and out of state and fluctuations in the cost of fuel. Investment costs to address environmental mandates as well as the general trend of increased coal prices observed since 2003 and decreased natural gas prices since 2011 have reduced Indiana's relative price advantage. Neighboring states' total customer retail rates for 2013 rank as follows: Kentucky 2nd, Illinois 8th, Ohio 25th, and Michigan 38th. Should new environmental regulations go into effect, Indiana's relative price advantage could be reduced even further.

Protecting Critical Infrastructure

Threats to utilities' critical infrastructure – both cyber and physical – have never been greater than they are today. A widely publicized 2013 physical attack on a California electric substation showed a high degree of sophistication. Several other critical infrastructure assets have come under varying degrees of both physical attack and cyber attack; and continue to face constant threats on a daily basis. These threats have the potential to halt emergency services, bring down communications systems, taint water supplies, and create widespread power outages. The Commission continues to keep this issue high on its priority list and perpetually seeks ways in which it can help the State's utilities to enhance their efforts toward preparedness, mitigation, and resiliency in the event of a cyber-attack. Commission efforts are often in conjunction with the Indiana Department of Homeland Security and the Indiana Office of Technology.

Overview

Industry Structure

The electric industry is regulated at both the federal and the state level. For example, the Federal Energy Regulatory Commission (FERC) regulates the transmission and wholesale sales of electricity in interstate commerce. It also reviews certain mergers and acquisitions and corporate transactions by electricity companies. Additionally, the FERC protects the reliability of the high voltage interstate transmission system through mandatory reliability standards.
Other federal agencies involved in the energy industry include the:

- Nuclear Regulatory Commission
- United States Environmental Protection Agency
- United States Department of Energy
- Securities and Exchange Commission
- Federal Trade Commission

State regulators oversee generation and distribution facilities, and have jurisdiction over retail electric service. In Indiana, electric utilities function as monopolies due to the high costs associated with the duplication of infrastructure. In exchange for the utilities receiving exclusive service territories, the state through the Commission regulates rates in a manner that provides an opportunity (but not a guarantee) for a reasonable return on investment, with the utilities being obligated to provide safe and reliable service to customers. These obligations are often described as the "regulatory compact." Other types of electric utilities, such as rural electric membership cooperatives (REMCs) and municipal electric utilities, also have exclusive service territories, but may withdraw from the Commission's jurisdiction. In 2013, more than $8.9 billion in revenue was generated and more than 2.6 million electric customers were served by the 16 electric utilities under Commission rate jurisdiction.

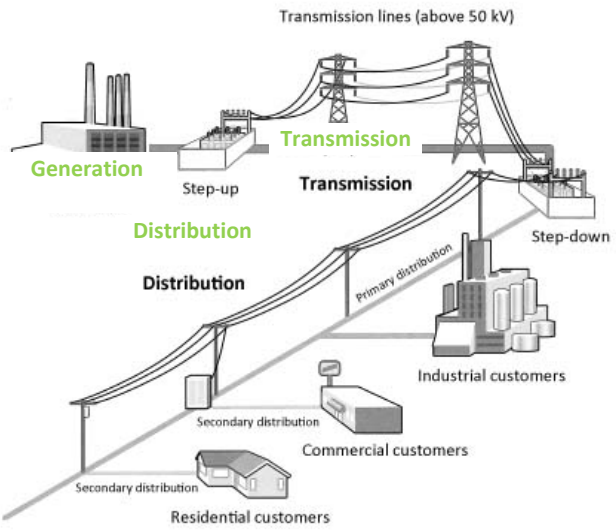
Monopoly status = regulatory compact

How It Works

Indiana's electric utilities operate under a traditional vertically-integrated structure, in which they own and operate generation, transmission, and distribution facilities that provide electric retail service to customers.

Figure 1

Generation, Transmission, and Distribution Diagram



There are two types of electric utility customers: retail and wholesale. Retail customers include residential, commercial, and industrial customers who are billed for service based on studies analyzing the costs associated with providing service for each class. For investor owned utilities (IOUs), a reasonable rate of return on investment for the company is added to the cost of service. Wholesale customers, on the other hand, include other electric utilities, cooperatives, and municipalities.

Investor-Owned Utilities

Five major IOUs operate in Indiana in exclusive service territories with other portions of the state similarly assigned to municipal utilities and REMCs.[1] IOUs are for-profit enterprises funded by debt (bonds) and equity (stock).

Duke Energy Indiana, Inc. (Duke Energy), is locally based in Plainfield, Indiana, and is a subsidiary of Duke Energy Corporation, headquartered in Charlotte, North Carolina. The utility serves 793,000 customers in 69 of the 92 counties throughout central and southern Indiana, excluding the cities of Indianapolis and Evansville.

Indiana Michigan Power Company (I&M), is based out of Fort Wayne, Indiana, and is a subsidiary of American Electric Power Company, Inc. (AEP), headquartered in Columbus, Ohio. The utility serves 459,000 customers in two, noncontiguous parts of northeast and north central Indiana.

Indianapolis Power and Light Company (IPL), is based in Indianapolis, Indiana, and is a subsidiary of the AES Corporation, headquartered in Arlington, Virginia. The utility serves 474,000 customers in the greater Indianapolis area.

[1] Ind. Code § 8-1-2.3-3

Northern Indiana Public Service Company (NIPSCO), a subsidiary of NiSource Inc., is headquartered and based in Merrillville, Indiana. The utility serves 459,000 electric customers in the northwest part of Indiana.

Vectren Energy Delivery of Indiana (Vectren South), is headquartered and based in Evansville, Indiana. The utility serves 147,000 customers in a small part of southwestern Indiana.

Municipally-Owned Utilities

In 1980, a group of municipalities created the Indiana Municipal Power Agency (IMPA) to jointly finance and operate generation and transmission facilities, as well as purchase wholesale power and meet members' needs through a combination of member-owned generating facilities, member-dedicated generation, and purchased power.

When a utility opts out of the IURC's jurisdiction, the agency no longer oversees its rates and charges or rules and regulations.

Map 1 shows the locations of these member utilities. State law allows municipal utilities to remove themselves or "opt out" of the Commission's jurisdiction.[2] Under certain circumstances, the Commission may review financing arrangements for individual municipal electric utilities, but this typically occurs through rate cases. As of the printing of this Report, nine of the 72 municipally-owned utilities operating in Indiana remained under the Commission's jurisdiction for rate regulation. For a complete list of the regulated municipal utilities and those that have opted out, please see Appendix B. Of these 72 municipally-owned electric utilities, 54 are members of the IMPA, including 8 of the 9 utilities regulated by the Commission.

Jurisdiction

In addition to setting rates for retail customer classes, the Commission reviews and approves long-term financing for IOUs, the Indiana Municipal Power Agency (IMPA), and Wabash Valley Power Association (WVPA). Additionally, all Indiana electric utilities wanting to build, buy, or lease new generation facilities must first have their proposals reviewed and approved by the Commission.

[2] Ind. Code § 8-1.5-3-9

Map 1

Statewide Map of Indiana Municipal Power Agency Members

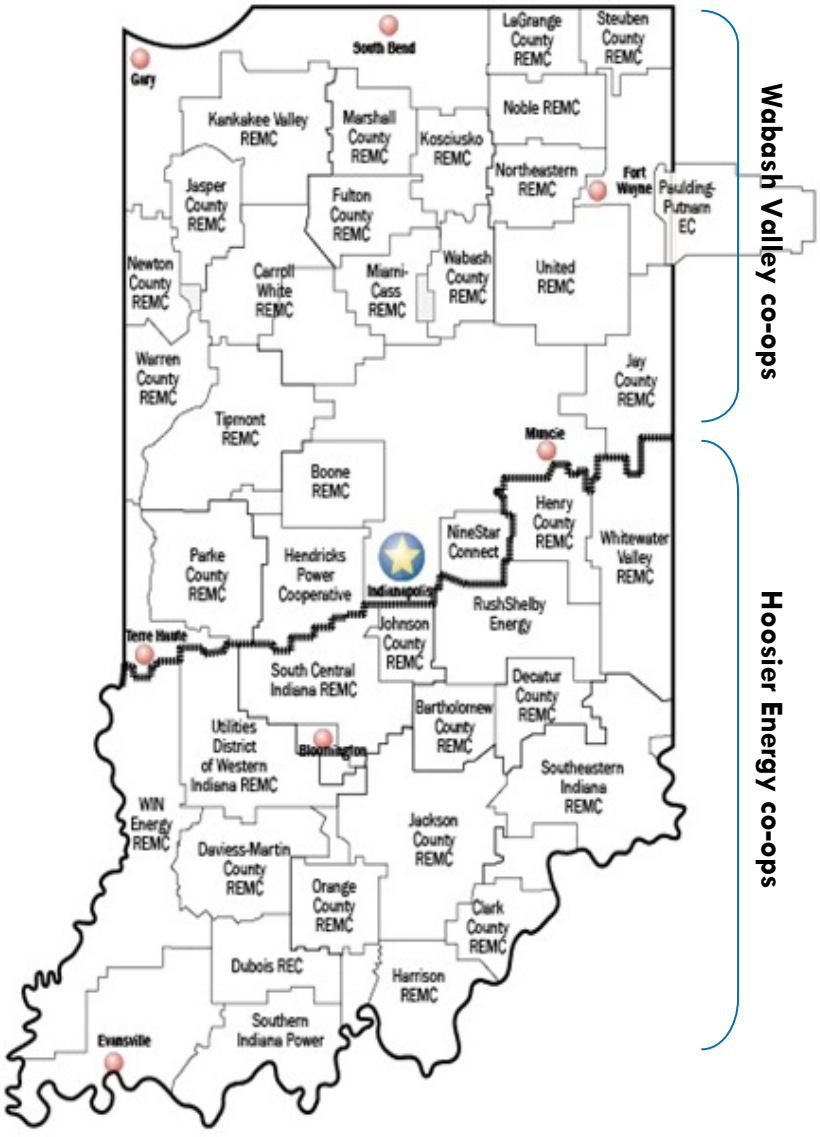
Rural Electric Membership Cooperatives

REMCs are customer-owned utilities, all of which are members of either Hoosier Energy Rural Electric Cooperative, Inc., located in the southern part of the state, or Wabash Valley Power Association (WVPA), located in the northern part of the state. Map 2 shows the location of these member utilities. Hoosier Energy and WVPA are power generating and transmission cooperatives formed to supply power to the REMCs.

The Commission's regulation of Hoosier Energy and WVPA is primarily limited to decisions to purchase, build, or lease generation facilities. In addition, the Commission retains jurisdiction over WVPA's long-term financing. REMCs, like municipalities, have the ability to remove themselves or "opt out" of the Commission's jurisdiction.[3] No REMCs remain under Commission jurisdiction for rate regulation.

Map 2

Statewide Map of the Association of Rural Electric Cooperatives



Source: Indiana Statewide Association of Rural Electric Cooperatives

[3] Ind. Code § 8-1-13-18.5

Legal and Policy Foundations

Transmission

Participation in regional transmission organizations (RTOs) by Indiana electric utilities provides a number of benefits for Indiana's electric consumers. In addition to greater reliability, RTOs provide lower costs through more efficient regional transmission planning than is possible when individual utilities act alone. The vast regional scope of the RTOs allows Indiana's customers to experience the financial and operational benefits of a diverse resource mix and variations in customer demand. For example, Indiana might experience peak demand due to hot weather while at the same time Montana has more moderate weather, which allows Indiana's demand to be satisfied with relatively lower-cost Montana resources.

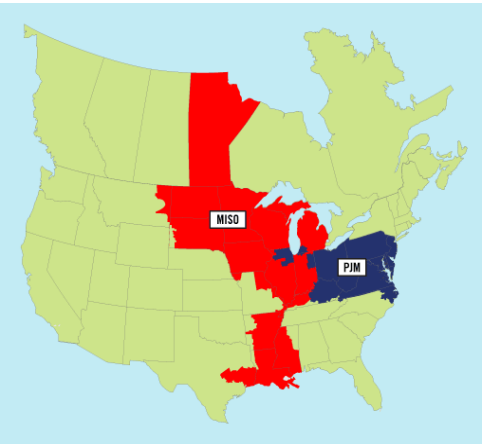
RTO Benefits

In 2013, the MISO region realized net benefits of $2.1 to $3.0 billion, while the PJM region realized net benefits of $2.2 billion. For 2007 through 2013, the value proposition studies revealed that the MISO region realized between $8.3 billion and $11.1 billion in cumulative benefits.

From a pricing standpoint, RTOs help consumers get the best deal by facilitating wholesale transactions across a large multi-state area. Two RTOs operate in Indiana: the Midcontinent Independent System Operator, Inc. (MISO) and PJM Interconnection, LLC (PJM). These organizations are regulated by the FERC. As part of operating the regional transmission facilities in a reliable and non-discriminatory manner, MISO and PJM direct the operation (in real time) of all generating facilities in their respective regions to ensure that the lowest-cost combination of generation resources is being used at any given moment. Additionally, RTOs engage in long-term transmission planning in conjunction with their transmission-owner utilities, some of which are under the Commission's jurisdiction. Further detail is provided in Table 1.

Map 3

Regional Transmission Organizations



Source: http://www.miso-pjm.com/

Because the reliability risk is diversified over the entirety of the RTOs' footprints – from the northern plains to the Atlantic Ocean – reserve margin needs are reduced. A reserve margin is the amount of extra generation capacity available to serve customer loads in the event of a system contingency, such as the planned or unplanned outage of a generation plant or a high-capacity transmission line.

Table 1
Characteristics of the Regional Transmission Organizations Serving Indiana

RTO Characteristics	MISO	PJM
Participating Indiana Utilities	Duke, NIPSCO, IPL, Vectren, Hoosier Energy, IMPA, and WVPA	AEP (including its Indiana subsidiary I&M), IMPA, and WVPA
Transmission Lines	65,787 miles	62,556 miles
Generation Capacity	175,436 MW	183,604 MW
Headquarters	Carmel, Indiana	Audubon, Pennsylvania

The electric industry has historically maintained planning reserve margins in the 15% to 20% range.[4] However, with the development of RTOs, the necessary level of reserve margins have fallen, reflecting the benefits of more efficient regional coordination. For example, Indiana utilities participating in the MISO have a 14.8% reserve requirement for Planning Year 2014-2015.

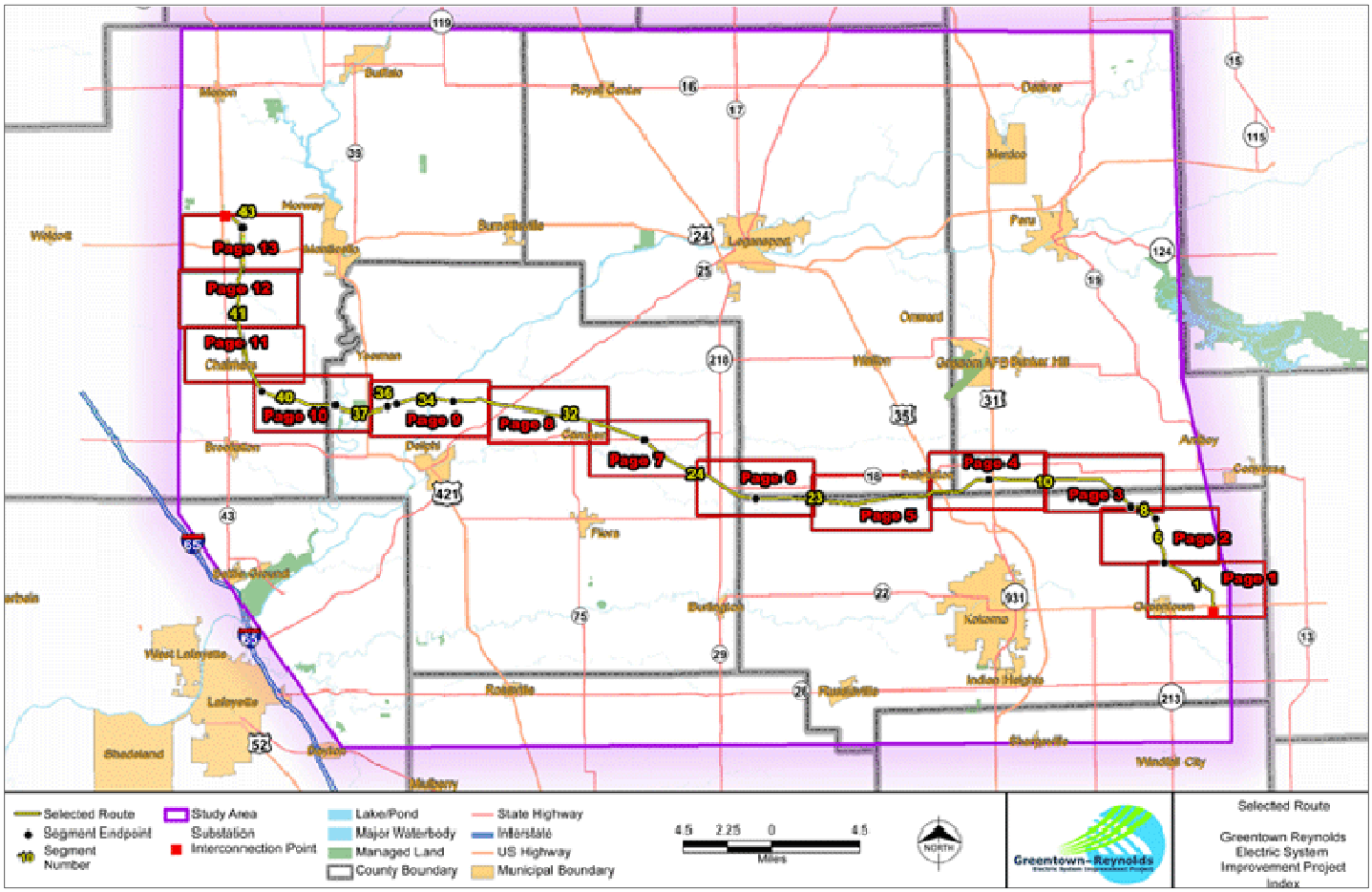
RTO Approved Transmission Projects

The Greentown to Reynolds project was approved as part of the MISO Transmission Expansion Plan in 2011 and is part of the MISO Multi-Value Project Portfolio. The project is being developed and constructed by NIPSCO and Pioneer Transmission, LLC (a joint venture between Duke Energy and AEP). The project is a 765 kV transmission line 65 miles long and estimated cost of approximately $328 million. The project involves substantial work at two transmission

[4] Planning reserve is the amount of forecasted dependable resource (i.e., generation, demand-response) capacity required to meet the forecasted demand for electricity and reasonable contingencies (e.g., loss of a major generating unit). Operating reserve is the generating capability (spinning and non-spinning reserve) above firm system demand needed to provide for regulation, load forecasting errors, scheduled and unplanned equipment outages and local area protection.

substations, and includes construction of a $65 million transformer. Line routing and public outreach was completed in summer 2014, and the line is scheduled to be in-service in early 2018.

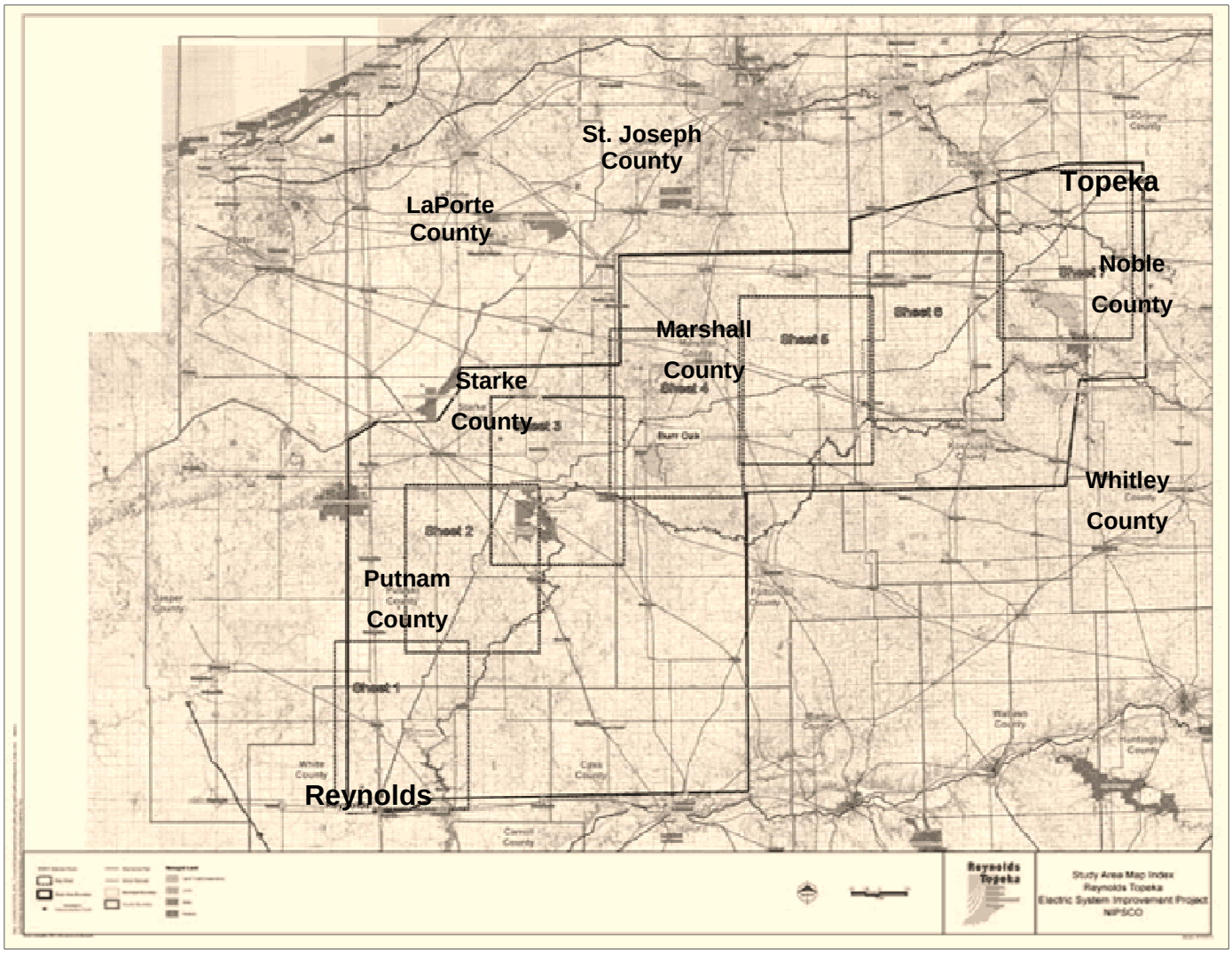
Map 4
Greentown to Reynolds RTO Approved Transmission Project



Source: http://www.greentownreynolds.com/maps.html

The Reynolds to Topeka project was also approved as part of the MISO Transmission Expansion Plan in 2011 and is also part of the MISO Multi-Value Project Portfolio. The project is being developed and constructed by NIPSCO. It is approximately 100 miles and a 345 kV, connecting the Burr Oak and Hiple transmission substations in northern Indiana, with an estimated cost of $271 million. Construction is set to start in early 2015 with completion in late 2018. In 2014, NIPSCO conducted public meetings, negotiated Right-of-Way easements with landowners, acquired permits, met with several Indiana state government agencies, and refined the design of the line so that the distance between transmission towers increased from 880 feet to 1,000-1,200 feet.

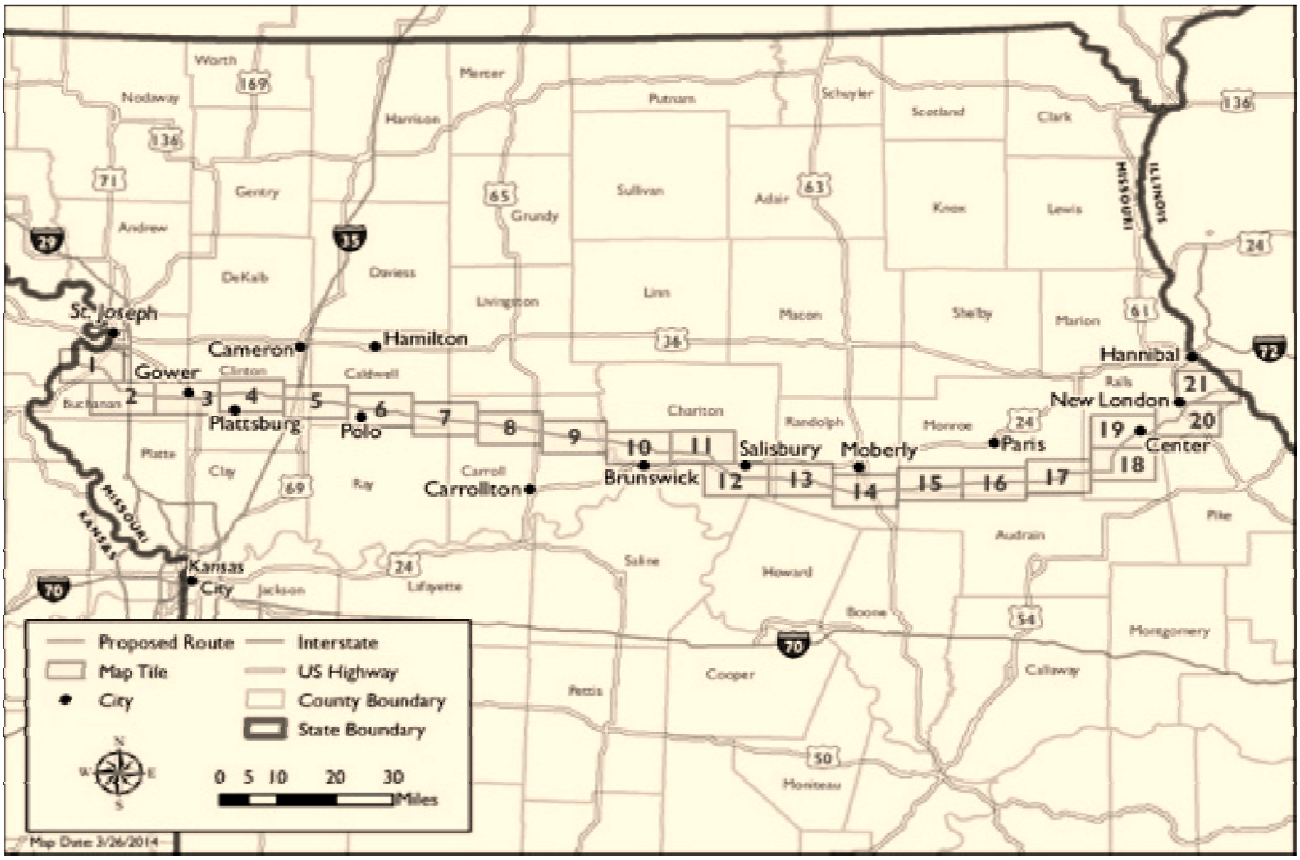
Map 5
Reynolds to Topeka RTO Approved Transmission Project



Source: http://www.reynoldstopeka.com/MapsFinalRouteIndexMap.htm

The Grain Belt Express project is a $2 billion high-voltage direct current transmission line that is approximately 750 miles long, stretching from western Kansas to the Sullivan transmission substation in southwestern Indiana. This substation is owned by AEP and is connected to PJM. This project would allow the transfer of up to 3,500 MW of wind energy from Kansas to Indiana (as seen, above), Missouri, and Illinois (as seen, below). This project is privately financed and is moving through regulatory processes in each state. The Commission granted utility status to Clean Line on May 22, 2013, which allows Clean Line to have eminent domain authority in Indiana. Currently, Clean Line is identifying potential customers to both supply and purchase power. Construction is expected to span three years from 2016-2018 with an in-service year of 2018.

Map 6
Grain Belt Express RTO Approved Transmission Project



Source: http://www.grainbeltexpresscleanline.com/site/page/missouri_proposed_route

Project Approval and Integrated Resource Planning

Indiana's electric utilities are required to supply power at the lowest reasonable cost, while providing safe and reliable service. In order to do so, utilities must strategically plan on both a short-term and long-term basis. This is known as integrated resource planning. Each utility is required to file an integrated resource plan (IRP) with the IURC every two years.

Because many changes have occurred since the IRP rule was finalized in 1995, the IURC initiated a rulemaking in 2010 to update it. The rulemaking process included a two-day technical conference in September 2011 to solicit input from stakeholders, including consumer groups, the Indiana Office of Utility Consumer Counselor (OUCC), and the utilities. The IURC circulated a Strawman Draft Proposed Rule to stakeholders for comment in January 2012. Then in August 2012, the IURC circulated a Draft Proposed Rule for additional comments. The proposed Rule has not been submitted for State Review, as it is currently on hold due to Executive Order 13-03 which placed a moratorium on most rulemaking. Highlights of the draft rule include:

- Stressing that risk and uncertainty as well as cost should be considered; and

- Requiring opportunities for public participation and enhanced transparency.

Although the rule is not in effect, the utilities have agreed to move forward with the process as identified in the draft Proposed Rule.

Duke Energy, I&M, IMPA, and WVPA submitted their IRPs on November 1, 2013. Consistent with the proposed rule both Duke and I&M held public meetings seeking input from interested parties and customers in regard to the development of the utility's IRP and issues involving the acquisition of different resources. The Commission's Electricity Division Director issued a report on April 30, 2014, that reviewed whether the four IRPs satisfied the informational, procedural, and methodological requirements of the proposed rule. Hoosier Energy Rural Electric Cooperative (Hoosier Energy), IPL, NIPSCO, and Vectren will submit their IRPs on November 1, 2014. IPL, NIPSCO, and Vectren each held a series of public meetings over this spring and summer 2014 to seek public input as they developed their 2014 IRPs.

IRPs evaluate available alternatives to meet a utility's future electricity requirements

Certificate of Need Process

In order to bring new generation online, state law requires all utilities to receive approval from the Commission through the certificate of need process. This process provides the Commission and interested parties with an opportunity to evaluate the merits of a project before it is undertaken. If the Commission approves the project, the utility is granted a Certificate of Public Convenience and Necessity (CPCN); only utilities that intend to own or lease a generation facility must seek a CPCN. A new law, HEA 1162, changed some of the findings the Commission must make prior to approving a CPCN for a facility with a generating capacity exceeding 80 MW. The Commission must:

In order to bring new generation online, state law requires all utilities to receive approval from the Commission through the certificate of need process. This process provides the Commission and interested parties with an opportunity to evaluate the merits of a project before it is undertaken.

"Find that the estimated costs of the proposed facility are, to the extent commercially practicable, the result of competitively bid engineering, procurement, or construction contracts; and, consider reliability and whether the utility used competitive bids to purchase generation capacity and energy from alternative suppliers."[5]

[5] H.B. 1162, 120th Gen. Assem., 1st Reg. Sess. (Ind. 2014)

In cases where the utility simply wishes to enter into a purchase power agreement (i.e., a long-term contract between two parties), a separate review process is conducted by the Commission.[6] Like the CPCN process, a utility must file a petition with the Commission seeking approval in order to determine prudency for the purposes of future cost recovery.

Assault on California Power Station Raises Alarm

A sophisticated, coordinated attack on a California electrical substation raised fears regarding the vulnerability of the U.S. electric grid. The attack began as the attackers cut telephone cables and then began systematically shooting 17 transformers at the Pacific Gas & Electric Company substation. The attack caused other transformers at the substation to crash, and the shooters disappeared into the night. The damaged transformers took 27 days to repair, but electric-grid officials were able to reroute power around the site to avoid a blackout.

More information available at Assault on California Power Station Raises Alarm on Potential for Terrorism.

[6] Purchase power agreements are generally filed under Ind. Code § 8-1-2-42(a) or Ind. Code 8-1-8.8.

Operations & Prices

Infrastructure

Aging infrastructure is a concern across all utility sectors. For the electric industry, an aging generation fleet is particularly troubling due to the potential risk to system reliability and the rising costs associated with the construction of new power plants or life extension investments for existing power plants. Over the next 15 years, the state's electricity demand is forecasted to slowly increase, with many aging coal-fired units facing retirement or premature shutdown due to tightening environmental regulations. Consequently, this era is expected to have far greater build-out of new generation than either of the past two decades. At the same time, estimating the lifetime costs of new generation units is expected to be increasingly difficult, primarily due to federal regulatory uncertainty and upward pressure on the prices of materials, construction, and fuel. Therefore, the Indiana power sector is entering into a period of unprecedented planning difficultly at a time when resource planning is increasingly necessary.

Age Profile

Based on the current direction of the U.S. EPA, by around 2015-2016 Indiana will need to retrofit or retire an unprecedented[7] wave of coal-fired generation units and replace them with a combination of new resources, due to environmental regulations and a large number of older coal units lacking sufficient controls or simply reaching the end of useful life. This will require the utilities to make substantial capital investments in order to meet U.S. EPA mandates, which will likely result in significant electric rate increases for Hoosier customers. The primary replacement fuel, based on current information, is expected to be natural gas. The issue is even more important as the U.S. EPA, under the Clean Air Act Section 111(b), identifies specific federal standards as mentioned previously. Nuclear, integrated gasification combined cycle technology, and other alternative resources, such as wind and demand side management, could also play a role in meeting Indiana's resource requirements.

Based on the current direction of the U.S. EPA, by around 2015 Indiana will need to retrofit or retire an unprecedented wave of coal-fired generation units and replace them with a combination of new resources, due to likely environmental regulations and a large number of older coal units lacking sufficient controls.

[7] For example, units projected to retire represent 1,800 MW of generation capacity, or just short of 11% of the total summer-rated coal generation, which totals 17,000 MW

Although generation plants are designed to last decades, it is important for utilities to monitor their condition. Indiana's utilities may purchase incremental electricity from other sources rather than building their own power plants to maintain required power reserves. These are known as purchase power agreements (PPA). Because it takes approximately three years to construct new gas-fired peaking generation, five to ten years to construct new conventional coal-fired generation, and still longer to bring new nuclear generation online, long-term planning is critical. In response, the Commission is in the process of updating its IRP rules, as previously discussed.

Table 2

Age Profile of Generating Units Owned by Indiana Utilities

Separated by Coal-Based Units and Gas Generation Units

Years Old	Number of Coal-Based Units	MW of Generation (Summer Rating)	Percent of Total Coal-Based Generation
50+	24	1,784.1	11.2%
40-49	15	3,985.2	25.6%
30-39	13	6,629.8	43.50%
20-29	6	3,797.5	17.9%
10-19	0	0.0	0.0%
0-9	4	891.0	1.9%
Total	65	17,087.6	100%

Years Old	Gas Units (Peaking)	MW of Generation (Summer Rating)	Percent of Total Gas Generation (Peaking)
50+	1	9.0	0.3%
40-49	2	40.0	3.1%
30-39	3	220.0	6.2%
20-29	6	308.0	8.9%
10-19	33	2,584.0	74.4%
0-9	3	256.9	7.2%
Total	48	3,417.9	100.0%

Coal units commonly become candidates for retirement past the age of 40, with most being retired by age 60. As demonstrated in Table 2, more than 36% of the total coal-fired generation is greater than 40 years old, and about 80% of the total coal-fired generation is greater than 30 years old. Natural gas-fired generation is much newer; only 19% of that fleet is greater than 20 years old. The U.S. Nuclear Regulatory Commission re-licensed Cook Units 1 and 2 for commercial operation. Operational in the 1970s, Unit 2 was re-licensed until 2034 and Unit 1 was re-licensed until 2037.

Indiana Electricity Outlook

The State Utility Forecasting Group (SUFG) at Purdue University, established by statute to provide an independent forecast of Indiana's electricity needs, projects slower growth in both electricity sales and peak demand, compared to previous SUFG forecasts, particularly in the residential and commercial sectors.[8] Electricity usage is projected to grow at an annual rate of 0.74 percent over the next 20 years and peak electricity demand is expected to grow at an average rate of 0.90 percent annually or 170 MW of increased peak demand per year. Increased efficiency from utility sponsored energy efficiency efforts, higher projected electricity prices, and stricter federal energy efficiency standards for appliances and other end-uses are the primary drivers of the slower growth in energy usage. As a result, significant additional resources are expected to be needed in the near future, as soon as 2016.

Despite slower growth in electricity sales and peak demand, the SUFG's forecast indicates Indiana electricity prices will continue to increase through 2023.

Despite slower growth in electricity sales and peak demand, the SUFG's forecast indicates Indiana real electricity prices will continue to increase through 2023. Construction costs related to new generating facilities and extending the useful life of existing generating facilities are contributing factors to higher electricity prices. Additionally, environmental retrofit work associated with achieving environmental compliance with rules such as the Mercury and Air Toxics Standards (MATS) and the U.S. EPA's Clean Power Plan put significant pressure on electricity prices.

Generation Types

Natural Gas Generation

Given the relatively low cost of natural gas, utilities across the country are switching or converting from coal to natural gas. Indiana utilities are no exception. In fact, IPL filed a petition in April 2013 seeking a certificate of public convenience and necessity (CPCN) to construct a 550 to 725 MW combined cycle gas turbine generation facility at the Eagle Valley Generating Station in Morgan County.[9] The utility also requested a CPCN to convert two 100 MW coal generating units to natural gas at its Harding Street Generating Station in Marion County. Both CPCNs were approved by the Commission with an order issued May 14, 2014. The Eagle Valley CPCN was issued for a 644-685 MW unit.

---

[8] Purdue, Indiana Electricity Projections: The 2013 Forecast, *available at* http://www.purdue.edu/discoverypark/energy/assets/pdfs/SUFG/publications/2013%20SUFG%20Forecast.pdf (Last accessed July 14, 2014).
[9] IURC Cause No. 44339

Coal-Based Generation

In 2007, the Commission granted Duke Energy a CPCN and approved the construction of the Edwardsport Integrated Gasification Combined Cycle (IGCC) generating facility, which has a summer capacity of 595 MW. The Edwardsport IGCC facility is the first commercial-scale clean coal plant of its kind built in the United States. The facility is located on approximately 220 acres in Knox County and began commerical operation in June 2013.[10] The Indiana Municipal Power Agency (IMPA) also recently added two new coal-fired units to its portfolio to serve Indiana customers. One unit is a 96 MW share of Trimble County Unit 2, located in Trimble County, KY. It was completed in 2011. The other unit is a 200 MW share of the Prairie State Facility in Southwestern Illinois that went into commercial operation in 2012.

Fuel Type Comparison 2011 vs. 2012 vs. 2013

	2011		2012		2013
Coal:	81.9%	↓	72.9%	↑	76.4%
Nuclear:	8.7%	↑	9.6%	↓	9.2%
Natural Gas:	6.3%	↑	13.4%	↓	9.3%
Wind:	2.1%	↑	2.5%	↑	2.9%
Oil:	0.1%	↑	0.7%	↑	1.3%
Hydro:	0.3%	↔	0.3%	↔	0.3%
Solar:	0.0%	↔	0.0%	↔	0.0%
Biomass:	0.2%	↑	0.3%	↔	0.3%
Other:	0.3%	↔	0.3%	↑	0.4%

Nuclear Generation

I&M utilizes the Cook Nuclear Generation Station located in Bridgman, Michigan to serve customers in Indiana and Michigan. Approximately 65% of the plant's costs and power generated are allocated to Indiana retail customers. This facility has two pressurized water reactors: Unit 1, licensed in 1974 and having a nameplate capacity of 1,048 MW and Unit 2, licensed in 1977 and having a nameplate capacity of 1,107 MW. These units were originally licensed to operate for 40 years; however, in 2005 I&M received 20 year extensions to operate them until 2034 and 2037, respectively. In order to operate these units for their extended lives, I&M is implementing a systematic replacement plan involving many of the plant's parts, some of which are no longer commercially available. I&M received approval for this replacement process from the Commission in September 2013.[11] The cost estimate for the project is $1.17 billion, with an estimated completion date of 2018.

---

[10] On December 27, 2012, the IURC modified and approved a settlement agreement reached in the Duke Edwardsport IGCC case, Cause No. 43114 IGCC 4 S1. The settlement agreement set a hard cost cap for the project at $2.595 billion (as of June 30, 2012), which prohibits Duke from recovering project construction costs above this amount from retail electric customers, excluding costs related to force majeure events defined in the agreement. As of the printing of this report, this case has been appealed and is pending before the Indiana Supreme Court.

[11] IURC Cause No. 44182

The Cook Plant is of vital importance to I&M and its ratepayers as it provides approximately 40% of I&M's generating capacity, produces zero CO_2 emissions, and is amongst the least expensive types of generation in the country. I&M has also stated that it believes, with further improvements, the company can potentially increase the total nameplate output of the Cook Plant by approximately 400 MW.

Wind Generation

Indiana has become one of the fastest growing states for the development of wind farms, many of which are currently located in Benton, Newton, Madison, Tipton, and White counties. The most recently announced wind farms are the Wildcat Wind Farm II located in Grant and Howard counties, the Bluff Point Wind Farm in Jay and Randolph counties, and the Headwaters Wind Farm in Randolph County.

Table 3
Specifications of Indiana Wind Farms

Wind Farms	County	Nameplate Capacity (MW)	Peak Hour Estimated Generation (MW)	Completion Date
Benton County	Benton	130.5	18.4	2008
Fowler Ridge I	Benton	301.3	39.2	2009
Fowler Ridge II	Benton	199.5	25.9	2009
Fowler Ridge IV	Benton	150.0	-	Note 2
Fowler Ridge III	Benton	99.0	12.9	2009
Hoosier	Benton	106.0	14.9	2009
Meadow Lake I	White	199.7	26.0	2009
Meadow Lake II	White	99.0	12.9	2010
Meadow Lake III	White	103.5	13.5	2010
Meadow Lake IV	White	98.7	12.8	2010
Meadow Lake V	White	100.8	-	Note 3
Spartan	Newton	199.8	-	Note 2
Wildcat I	Madison/Tipton	200.0	26.0	2012
Bluff Point	Jay/Randolph	119.0	-	Note 2
Wildcat II	Grant/Howard	200.0	-	Note 2
Headwaters	Randolph	200.0	-	Note 2
Total		2,506.8	202.4	

Note 1: Assumes 14.1% of nameplate capacity (Midwest ISO wind capacity credit) or 13.0% of capacity (PJM wind capacity credit) will be available during summer peak hours.
Note 2: Construction has not begun.
Note 3: Approximately one mile of access roads have been completed. Construction is currently suspended.

Unlike conventional power resources, wind power is weather-driven and intermittent, meaning it cannot be turned on to match increases in demand; however, it can be taken offline very quickly.[12] This function is valuable during times of grid congestion and during minimum demand. Both of the state's RTOs have established wind capacity credit values for summer 2014 peak load hours. Using the capacity credit, a 100 MW wind farm would typically have an expected output of 14.1 MW (14.1% of its nameplate capacity[13]) in the MISO area and 13.0 MW in the PJM area. As shown in Table 3, Indiana wind is projected to provide 200.5 MW of generation during these peak periods.

Solar Generation

Seven large solar photovoltaic projects, all over 7.5 MW in output, are currently operating or will be operating in Indiana. One of the larger projects, the IND Solar Farm, is located at the Indianapolis International Airport and is located on 43 acres and has a generating capacity over 10 MW. Another major solar project which was unveiled July 1, 2014, is located at the Indianapolis Motor Speedway (IMS) on approximately 22-acres of IMS property northeast of the race track. The IMS installation is be the largest solar-power system hosted at any sporting facility in the world, with 39,314 solar panels projected to generate 9.6 MW. All of these projects participated in IPL's feed-in tariff program.

Biomass Generation

Utilizing biomass generation as way to both generate energy and rid a community of municipal solid waste is a unique way to accomplish two goals. Biomass generally consists of: 1) woody residues from forest management activities and the pulp and paper industry; 2) municipal solid waste such as waste paper, cardboard, wood waste and yard cuttings; and 3) agriculture crop residues and animal waste. The decomposition of biomass produces fuel, such as landfill gas and coal bed methane. In Indiana, landfill gas is the primary biomass fuel used to generate electricity. According to IURC data, the current total operating generation capacity from Indiana's landfills for use by Indiana consumers is 47 MW. Anaerobic digestion, a process where farm waste such as manure is broken down to produce biogas, has also become common in Northern Indiana, with five projects totaling 7.5 MW.

Distributed Generation

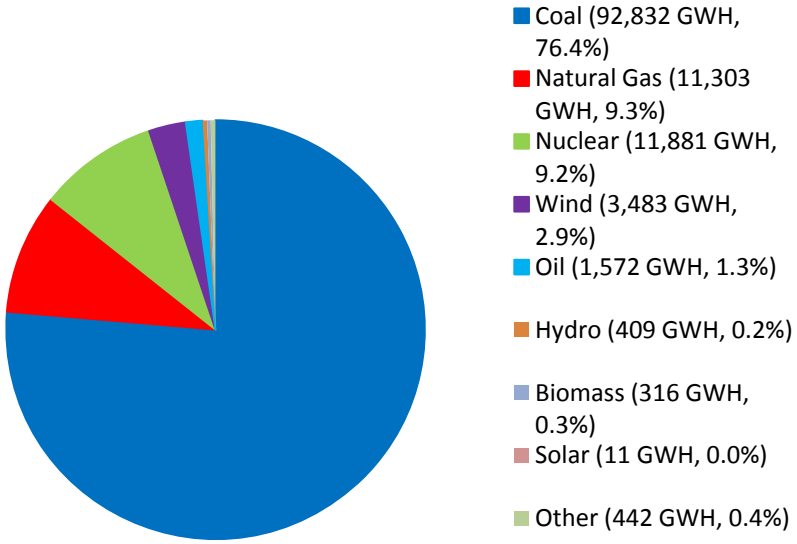
Distributed generation is the private production of energy for nearby use, rather than from large utility generators across a wider geographic footprint. This ranges from solar panels atop a family home to a large industrial manufacturer with a cogeneration facility. Distributed generation is growing in scope due to feasibility and affordability (mass produced versus custom built units) and provides both opportunities and challenges for power systems.

[12] "Dispatchability" is the ability of a power plant to alter its output quickly to a desired level.
[13] Nameplate capacity is the intended full–load sustained output of a facility.

Because the distributed generation is not produced by a power plant hundreds of miles away, transmission costs can be lower, and any excess energy not used by the producer can sometimes be sold back into the electric grid at costs that can be cheaper than utility-owned generation. However, there are other issues that should also be considered. Distributed generation provides a source of intermediate and peaking capacity needs for any energy portfolio footprint and allows the consumer to potentially become a seller of energy back to the utility through net metering.

Most existing grid systems are set up for power to flow in one direction (generator to consumer), the impacts on the existing grid could also mitigate some potential benefits of distributed generation. A home with solar power may produce all it needs to consume and have extra to sell to its utility on a sunny day. Likewise, on a cloudy day, the home may need to consume power from its utility. The variability in production then impacts the reliability of the broader grid as distributed generation continues to grow. In the United States, the number of distributed generation installations at commercial and industrial sites has gone from about 10,000 in 2006 to 40,000 in 2013. Solar systems now amount to roughly 5% of all U.S. energy production.

Chart 1
Projected Generation of Electricity by Fuel Type for Indiana Consumers for 2013



Existing Generation Portfolio

Coal-fired generation accounts for 76.4% of the projected 2013 energy production for Indiana customers, as shown in Chart 3. In second place is natural gas at 9.3% and nuclear generation is a close third at 9.2%. Although Indiana does not have a nuclear plant within the state, customers in the northeastern portion of Indiana are served by I&M's Cook Nuclear Generation Station located in Bridgman, Michigan.

Power plants do not always produce energy at full capacity. This practice is normal and is referred to as a capacity factor. Capacity factors calculated by taking the ratio of actual energy output to potential output. The capacity factors of power plants vary depending on technology, resource, and purpose. Nationally, capacity factors are typically more than 90% of the potential output for nuclear, 70-90% for large coal units, 20-40% for wind, and 10-15% for solar photovoltaics farms. When considering the makeup of a generation portfolio, a utility takes

capacity factors into account in order to maximize efficiency and the total output of its investments. Map 7 shows the location, size, and fuel type of the largest sources producing electricity for Indiana's customers.

Map 7

Statewide Map of Electric Generation Serving Indiana

SUMMER MW RATINGS

Duke Energy Indiana
1-Gibson....3,132
2-Wabash River....668
3-Cayuga....1,094
4-Edwardsport....595
5-Gallagher....280
6-Noblesville....285
7-Connersville....86
8-Henry County....129
9-Madison (OH)....576
10-Miami Wabash....80
11-Vermillion 1-5....222
12-Wheatland....460
38-Markland....45

Hoosier Energy
13-Merom....998
14-Holland (IL)....314
15-Ratts....241
16-Lawrence....176
17-Worthington....172

Indiana Municipal Power Agency
18-Georgetown 2&3....158
19-Trimble County (KY)....162
20-Anderson....140
21-Richmond....67
22-Whitewater Valley....99
39-Prairie State....100

○-Other Cities

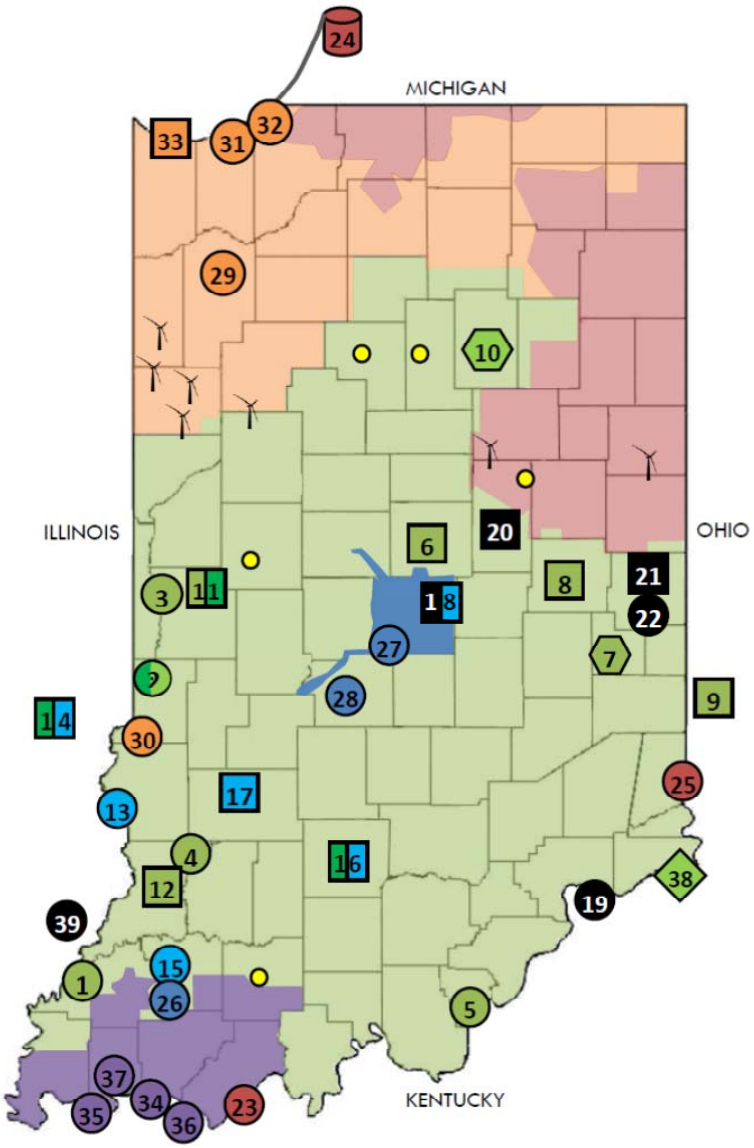
Indiana Michigan Power
23-Rockport....2,600
24-Cook (MI)....2,223
25-Tanners Creek....982

Indianapolis Power & Light
18-Georgetown 1&4....158
26-Petersburg....1,760
27-Harding Street....1,102
28-Eagle Valley....341

Northern Indiana Public Service
29-Schahfer....1,780
30-Sugar Creek....535
31-Bailly....511
32-Michigan City....469
33-Mitchell....0

Southern Indiana Gas & Electric
34-Warrick....150
35-Brown....640
36-Culley....360
37-Broadway/Northeast....85

Wabash Valley Power
2-Wabash River 1 IGCC....210
11-Vermilion 6-8....133
14-Holland (IL)....314
16-Lawrence....86



Pricing and Economics

How Indiana Compares

Indiana's average retail prices for electricity have been and continue to be competitive both nationally and regionally. However, the ultility rates are not as low as they used to be. State average electricity prices shown in Chart 2 are the composite average price for all rate classes, including residential, commercial, and industrial customers.

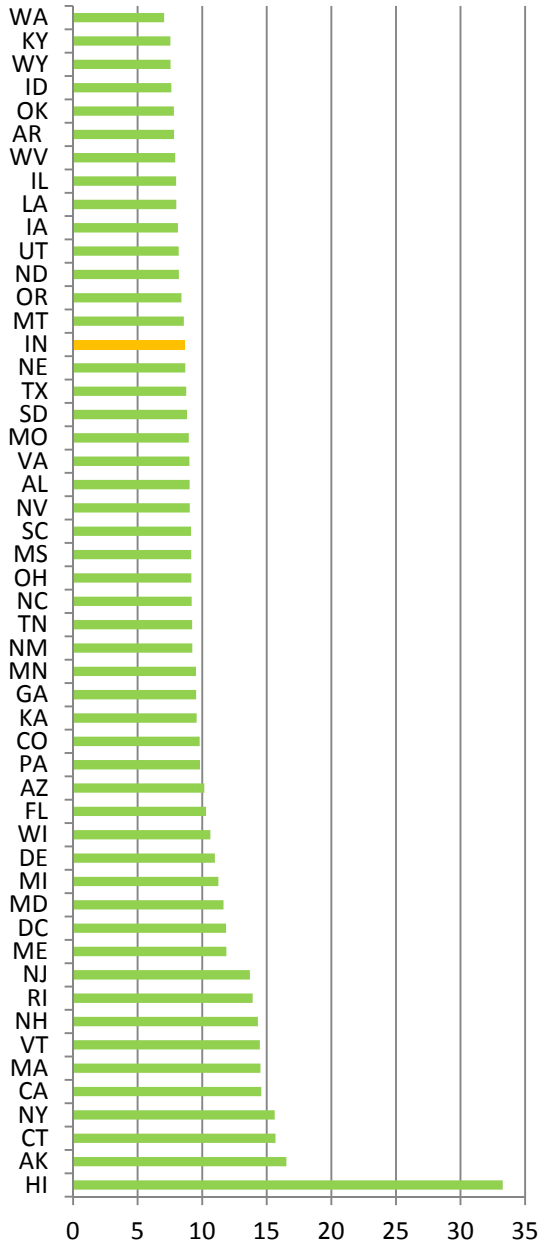
Indiana's annual ranking for statewide electricity prices from 2000 to 2013 ranged from 9th lowest in 2000 to 4th lowest in 2002 to 15th lowest in 2013. The variability in ranking is the result of many factors, including the timing of rate cases, both in and out of state, required investments to maintain infrastructure and fluctuations in the cost of fuel.

Neighboring states' composite customer class retail rates for 2013 rank as follows: Kentucky 2nd, Illinois 8th, Ohio 25th, and Michigan 38th.

Chart 4 shows Indiana's national rankings for each specific customer class over the past 20+ years and how they have fluctuated. Based on this chart, differences can be seen between the various customer classes – residential, commercial and industrial. Due to a number of factors, each class has been affected differently from a ranking standpoint. As shown on the following chart, industrial customers have slipped in ranking more than other customer classes, from 17th in 2011 to 27th in 2013.

Chart 2

2013 State Average Electricity Prices
(cents/kWh)



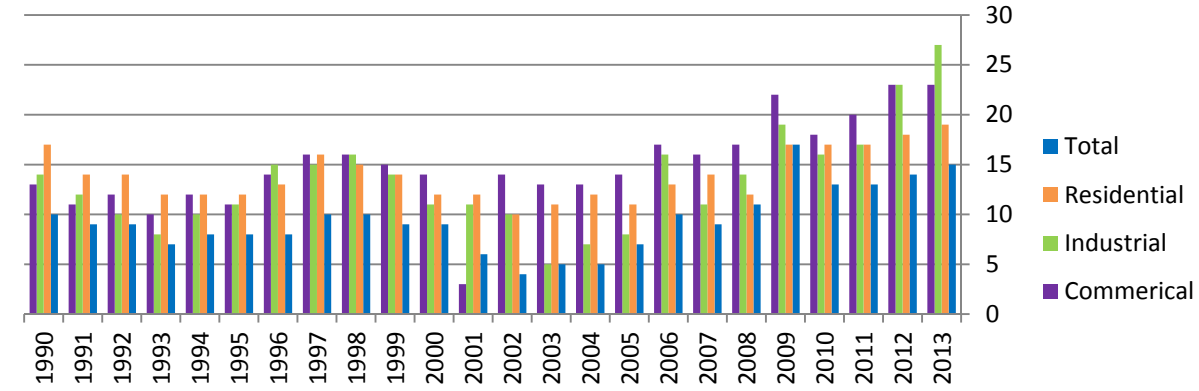
Source: Energy Information Administration

Did you know?

Indiana electric utilities have made over $3.5 billion in investments in pre-1990 coal plants to meet environmental mandates.

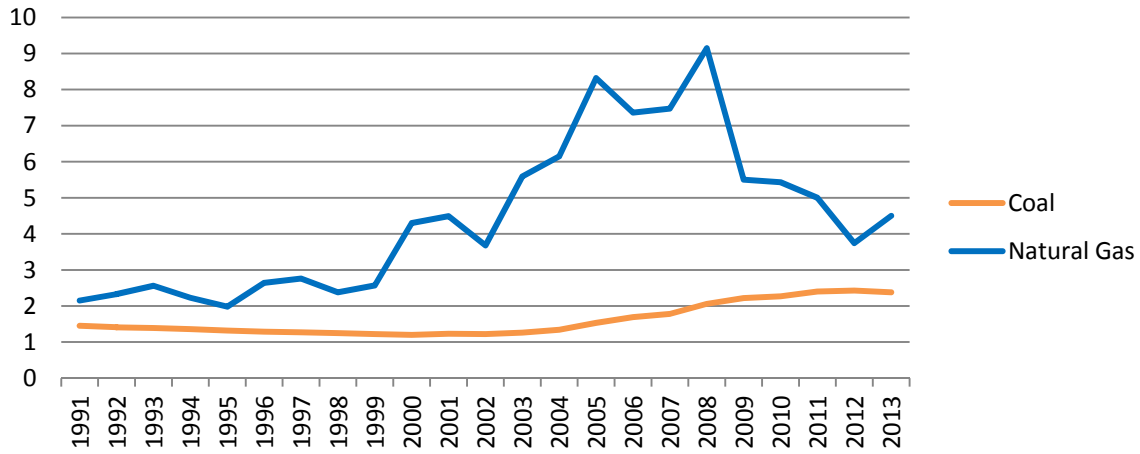
Indiana's use of coal as a fuel source for electricity generation has contributed to the state's relatively low-cost electricity, historically an important economic development advantage. However, investment costs to address environmental mandates, the general trend of increased coal prices observed since 2003, and decreased natural gas prices since 2011 have reduced Indiana's relative price advantage.

Chart 3
Indiana Customer Class Rate National Ranking



Source: Energy Information Administration

Chart 4
Average Cost of Fuel, Electric Utilities, Nationwide ($/mmBTU)



Some of the factors driving the coal cost increases and natural gas decreases are as follows:

- Coal trends
  - Increasingly difficult permitting requirements
  - International competition for domestic coal production
- Natural gas trends
  - Newer technology and lower extraction costs
  - Emergence of shale gas

When focusing solely on rankings, Indiana is still competitive; however, its average electricity price ranking has lost ground to other states in recent years due to changes in the commodity markets and compliance with new federal environmental regulations.[14] If Indiana is to remain competitive moving forward, long-term planning and a well-developed holistic evaluation of potential solutions are critical.

Adjustable Rate Mechanisms (Trackers)

Indiana's regulatory statutes include adjustable rate mechanisms (trackers) for certain expenses and capital investments. Tracking mechanisms provide timely flow-through of specifically-defined costs to retail rates, compared to adjustments that would occur as the result of a rate case.

Expense Trackers

An expense tracker allows retail rates to be adjusted outside the context of a base rate case to reflect changes in operating expenses. These adjustments do not include the recovery of any financing cost, but merely allow the utility to recover what it has spent on a dollar-for-dollar basis. The pass-through of unpredictable revenues and expenses to ratepayers reduces volatility in the utility's earnings which serves to strengthen the utility's credit rating. Recovery of expenses that are characterized as largely outside the utility's control, volatile in nature, and materially significant is the intended goal of such trackers.

Indiana's regulatory statutes include adjustable rate mechanisms (trackers) as an integral part of regulation. Expenses that are characterized as largely outside the utility's control, volatile, and materially significant are the intended goals of such trackers.

The following examples describe expense trackers in place today:

Fuel Adjustment Charge (FAC) – Pursuant to explicit statute authority, the FAC has existed in Indiana for more than three decades and tracks a utility's largest variable operating expense, which is fuel. Indiana electric customers pay over $2 billion per year in fuel costs, approximately 30% of a residential customer's bill and an even greater percentage for energy intensive industrial firms.

[14] Indiana was ranked 12th in 2012's state rankings of average electricity prices, according to the EIA. Indiana was 15th in 2013

Demand Side Management (DSM) – This tracker compensates the utility for the programs it sponsors to enhance customer participation in managing their household or business energy use. Such efforts create program management expenses as well as avoided sales and the related under-recovery of a utility's fixed-cost revenue need.

Regional Transmission Operator Expenses (RTO) – The creation of regional entities, such as MISO and PJM to manage transmission and wholesale market operations, adds a cost and revenue layer that overlays the utilities energy generation and delivery system. These federally regulated costs and revenues are included in retail rates through this mechanism.

Opportunity Sales Sharing (OSS) – Utilities may at times have generation that the wholesale energy market desires and its retail customers do not require. When such sales opportunities come to fruition, they are shared with the utility's ratepayers on a company-specific basis.

Reliability Assurance or Capacity Cost (RA) – A utility may elect to ensure it has sufficient resources to meet customer needs through contract arrangements rather than the more traditional method of making plant investments. Such arrangements normally include customer programs that compensate large customers for making a portion of their needs available for interruption or securing a right to an independent power plant's capacity.

Emissions Allowance Cost (EA) – Various pollutant emission control programs allow for the trading of allowances. This tracker allows for the flow-through of such costs or revenues to incentivize the utilities to undertake the most efficient compliance path.

Capital Investment Trackers

By comparison, a capital investment tracker allows a utility to reflect statutorily defined capital investment it makes in its system, such as clean coal and energy generation or transmission and distribution improvements, in its rates outside of a traditional base rate case. This allows the utility to timely match its investment and the compensation for that investment. These investments are subject to pre-approval to ensure they offer cost-effective solutions to the needs of Indiana customers. As capital investment generally leads to related operating expenses when the project is placed into service, these trackers often combine the capital and expense aspects into a single rate adjustment mechanism.

Credit rating agencies typically favorably view such trackers. The benefits ratepayers receive as a result of tracker utilization include the mitigation of rate shock and reduced financing costs (i.e., lower interest rates) over the life of the investment. The following examples describe capital trackers in place today:

Did you know?

The Commission provides a detailed listing on its website of the various trackers for each utility as a component of its annual Residential Bill Survey. http://www.in.gov/iurc/2761.htm

Clean Coal Technology Investment (CCT or ECR) – Indiana's pre-1990 coal fleet has been retrofitted with various pieces of equipment in order to allow its continued service to customers and that it may burn coal more cleanly. These trackers began in the early 2000's, with associated ratemaking criteria that has been well developed by Commission rule and established in its orders.

Integrated Gasification Combined Cycle (IGCC) – The Duke Edwardsport project was the first application of a new utility-built generation facility to avail itself of the statutory authority for capital cost tracker recovery.

Life-Cycle Management Cost (LCM) – I&M's D.C. Cook nuclear facility in southwest Michigan primarily serves Indiana customers. The life of the plant has been extended for an additional 20 years of service and as such many of its vital components would exceed their design life during this period. The General Assembly provided specific statutory authority for the recovery of the required capital investment to ensure the plant is available to safely and reliably serve out its Nuclear Regulatory Commission licensed life.

Federally Mandated Cost (FM) - In addition to the Commission, utility operations are exposed to several bodies providing regulatory oversight. These bodies have the authority to issue mandates which may drive the incurrence of costs related to environmental, cyber-security, or reliability investments, among others.

Transmission, Distribution and Storage System Improvement Charge (TDSIC) – Electric utility system reliability and efficiency are contingent on a well functioning delivery system. The renewal and enhancement of aging infrastructure is an area many stakeholders believe should not be excluded from capital investment.

Tracker Oversight

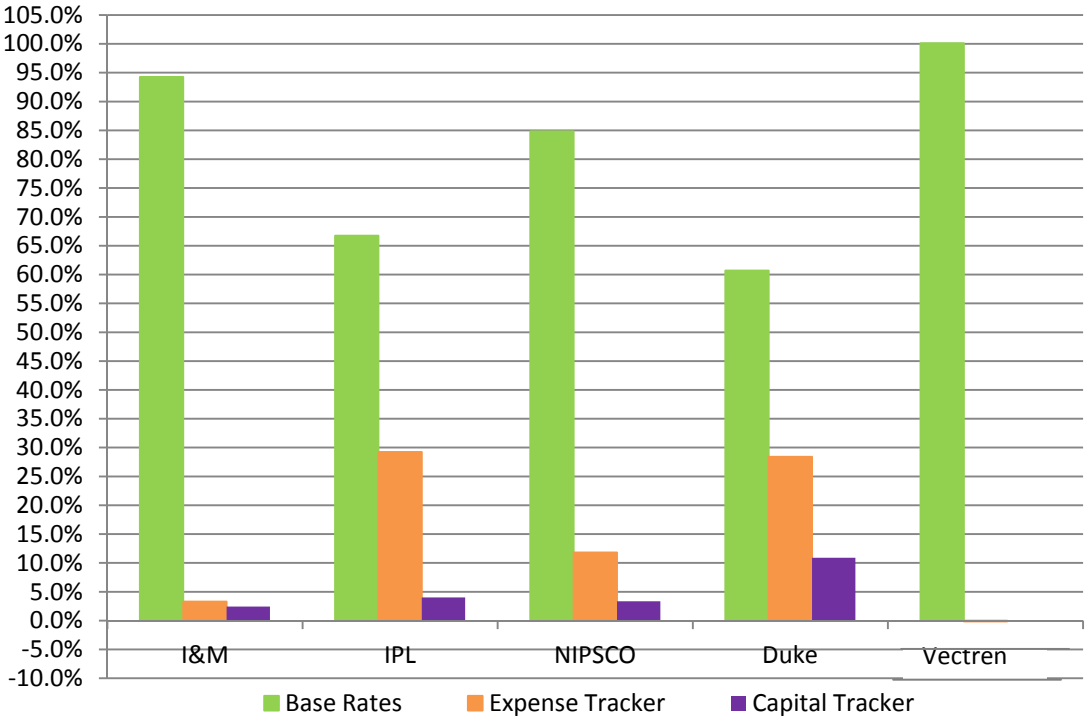
All requests for cost recovery require Commission approval. As a part of the review process, the OUCC and other stakeholders examine the underlying support for the requested rate adjustment and may provide evidence supporting or contesting the request in proceedings. The Commission also reviews the tracked costs before rendering a decision.

In addition to ongoing project progress and cost recovery oversight in the tracker proceedings, capital investment plans go through a pre-approval process. In these statutorily required and consumer stakeholder involved proceedings, the Commission must make findings regarding the estimated cost and reasonableness of the project, taking into consideration other competing solutions.

Composition of Customer Bills

Chart 5 shows a breakdown of how base rates, expense adjustments, and capital adjustments contribute to a residential customer's bill for each of Indiana's electric IOUs. The relative weighting of these elements varies in part due to the magnitude of a company's construction program and how much time has elapsed since its last base rate case.

Chart 5



Expense Tracker - Allows retail rates to be adjusted outside the context of a base rate case to reflect changes in operating expenses excluding a return on such expenses.
Capital Tracker - Allows a utility to reflect certain clean coal and energy generation capital costs in its rate base and to reflect the associated return on such investment in retail rates outside a base rate case.

Modernization and Efficiency

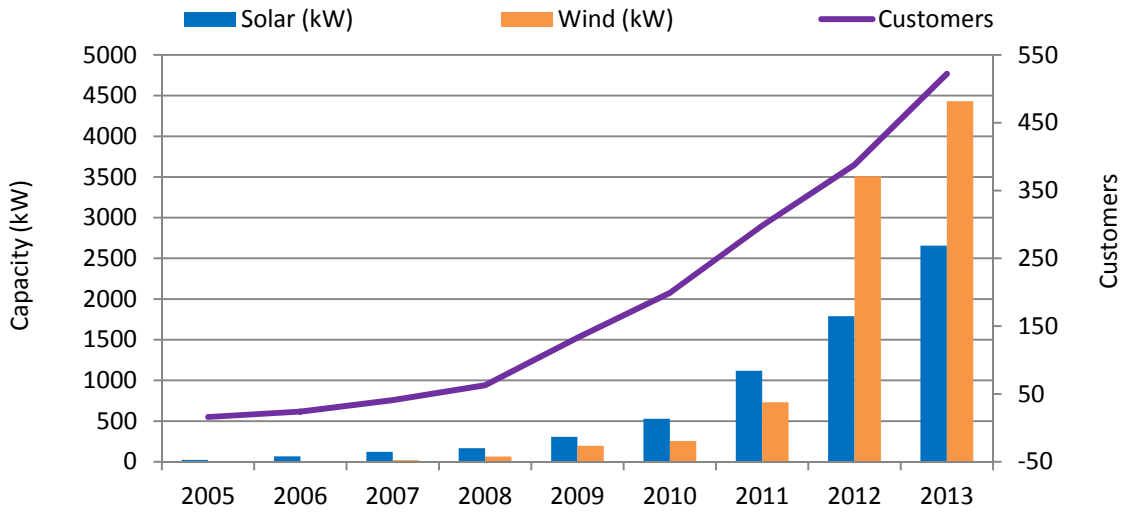
While the majority of Indiana's electric needs are met through coal-fired generation at utility-owned facilities, the value of Indiana's energy services is supplemented by renewable initiatives, energy efficiency, and demand response programs.[15]

Net Metering

Net metering is a service offering that allows customers to both supplement their electric usage and cut costs by installing renewable energy facilities, such as wind turbines or solar panels, while also relying on the electric utility as a back-up provider. If the amount of electricity the customer receives from the utility is greater than the amount delivered to the utility, the difference is charged to the customer. If the amount the customer received from the utility is less than the amount delivered to the utility, the customer receives a credit on the next bill for the difference.

Four years ago, the Commission started the formal rulemaking process to update the net metering rule, which became effective in July 2011. As a result, net metering is now available to all customer classes, and energy production facilities have a maximum capacity of 1 MW. Additionally, a utility may limit the total capacity under the net metering tariff to 1% of its most recent summer peak load. The 2011 expansion of participation which followed the rule revision continued through 2013. At the end of 2013, participation in net metering grew 162%, from 199 net metering customers in 2010 to 522 customers last year. Total capacity increased as well by 805% in that same period. This growth is illustrated in Chart 6.

Chart 6
Net Metering Capacity (kW) and Participation in Indiana



[15] Energy efficiency refers to measures or technologies that reduce the consumption of energy, while demand response resources refer to measures, technologies, or incentives and pricing programs that reduce or curtail load during peak periods.

Feed-in Tariffs

Small scale renewable energy technologies that use solar, wind, and/or biomass to produce energy often initially require subsidies to compete with traditional generation resources that burn coal or gas. Therefore, many utilities, with the support of their regulators, are encouraging the development of renewable technologies by offering to buy energy generated by customer-owned facilities at prices that make the projects economically viable.

Unlike a traditional utility tariff, which specifies the price at which a ratepayer may purchase energy, a feed-in tariff specifies the price at which a utility will purchase energy generated from qualified, customer-owned facilities. Feed-in rates align costs and attributes between technologies and unit size so as to not encourage one renewable technology to the detriment of another. The cost of the energy purchased under a feed-in tariff is recovered from the utility's ratepayers in a manner similar to that by which fuel expenses are recovered. By setting an appropriate purchase price for feed-in technologies, a balance can be struck between the need for renewables and cost increases to customers.

Feed-in tariffs encourage renewable energy development

The Commission granted IPL[16] and NIPSCO[17] the ability to offer feed-in tariffs at rates up to 30¢ per kWh for solar power and up to 17¢ per kWh for wind power. Both programs specify a minimum individual project size (capacity), a maximum aggregate capacity available under the tariffs, and a maximum contract term of 15 years. IPL's feed-in tariff offer for new projects expired on March 30, 2013, and the company did not seek an extension. NIPSCO's offer expired on December 31, 2013, and a petition to continue it beyond this date is before the Commission.[18] A summary of the approved renewable power contracts by type and utility company is shown in Table 4.

Table 4

Capacities (in kW) of Feed-In Renewable Power Production Contracts

Approved through June 30, 2013

	Small Wind (Up to and including 100 kW)	Large Wind (>1 MW)	Small Solar PV (Up to and including 100 kW)	Large Solar PV (>100 kW)	Biomass/ Biogas	Total
IPL	0.0	0.0	994.0	97,138.0	0.0	98,132.0
NIPSCO	10.2	250.0	700.0	14,500.0	14,350.0	29,810.2
Total kW	10.2	84.0	1,694.0	111,638.0	14,350.0	127,942.2

Note: There have been no contracts for intermediate wind projects (capacity of 100 kW to 1 MW).

[16] IURC Cause No. 44018
[17] IURC Cause No. 43922
[18] IURC Cause No. 44393

Electric Vehicle Development

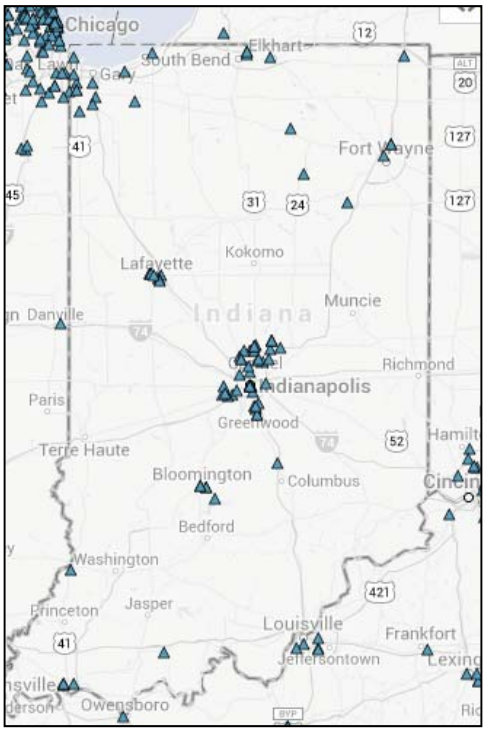
Electricity is transforming our nation's transportation sector by using technology and infrastructure to transport people and goods, using electricity as a fuel. Indiana plays a role in diversifying the transportation sector's fuel mix with clean transportation while contributing to the enhancement of U.S. energy and economic security.

The average price of regular gasoline per gallon in the state is $3.54. The equivalent electric eGallon is $1.02.

By the end of 2013, more than 150,000 plug-in electric vehicles (PEVs) and all-electric vehicles had been sold in the United States.[19] Powered by electricity made from domestic energy sources, PEVs provide customers with an economical alternative to "filling up" gasoline-dependent vehicles. On average, it costs about three times less to drive an electric vehicle. Indiana's average price of regular gasoline per gallon is $3.54. The average price of the electric eGallon is $1.02[20]

Map 8

Alternative fueling stations in Indiana



Like current hybrids, PEVs use battery power in addition to an internal combustion engine. However, unlike traditional hybrids, PEVs do not depend on gasoline to recharge their batteries. Instead, PEVs are plugged in to the existing electricity system, using a standard electrical outlet to recharge the car batteries. Owners can recharge their batteries overnight, using lower-cost, off-peak electricity. EV drivers are now benefiting from a growing network of charging stations. There are now 5,983 publically accessible charging stations in the US. Of those, 87 are in the state of Indiana.[21] To help customers become EV ready, IPL and NIPSCO are continuing to promote the adoption of EVs. These programs not only accommodate EV use on Indiana's roadways, but also help each utility gain insight into the potential impact of EV charging on their distribution systems in order to better understand customer expectations.

As of March 31, 2013, IPL has installed 162 chargers in 111 locations including 89 residential, 11 fleet, 8 public and locations at Tom Wood Ford, the Indianapolis Zoo, and Eli Lilly and Company. In addition, IPL has installed 22 public chargers at eight public locations that allow customers to charge at a flat fee of $2.50 per charge for an unlimited amount of time. Customers pay for this service using credit, debit or pre-paid cards.

---

[19] Edison Electric Institute, *available at* www.eei.org
[20] Energy.gov, *available at* http://www.energy.gov/maps/egallon
[21] Office of Energy Efficiency and Renewable Energy Website (alternative fueling station locator), U.S. Department of Energy

In April 2014, IPL petitioned the Commission for approval of an Alternative Regulatory Plan in IURC Cause No. 44478 to facilitate the extension of electric infrastructure and installation of customer owned EV facilities needed for a car sharing program called the BlueIndy Project. The City of Indianapolis and BlueIndy, LLC have entered into an agreement for an EV car sharing service that calls for the City to provide access to City-controlled property and arrange for certain facilities at the locations. IPL and the City have a separate agreement for the extension of electric facilities and installation of EV equipment at up to 200 locations. This case is currently pending.

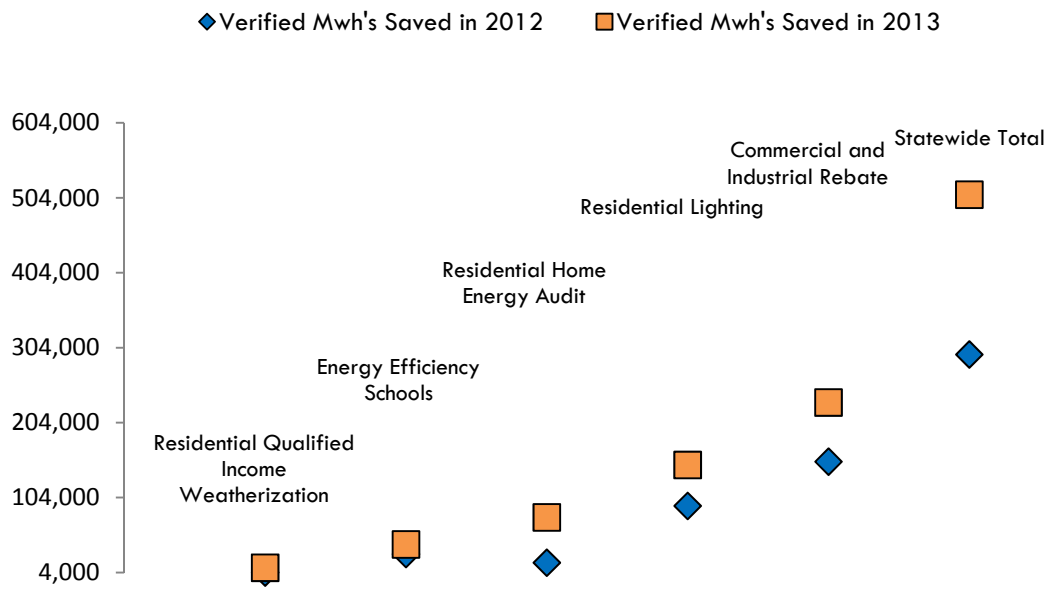
As of January 31, 2014, NIPSCO's *In Charge Electric Vehicle Pilot* program has received 176 enrollment requests. Of those 100 have completed installations to include a charger and a meter. *In Charge at Home* targets residential electric vehicle owners, and provides a credit toward the purchase and installation of a vehicle charger station at the home. *In Charge Around Town* provides eligible commercial and industrial customers with the opportunity to install public charging infrastructure for their workforce and for their customers use.

Energy Efficiency Programs

The statewide commercial operation of Energizing Indiana programs moved from a start-up operation in 2012 to a more efficient, established operation in 2013.[22] Overall verified (actual) energy savings increased 72% from 294,986 megawatt hours in 2012 to 508,178 megawatt hours in 2013. Chart 9 shows total energy savings achieved by program and the statewide total for 2012 and 2013. With the passage of SEA 340, the Commission is required to submit a report on DSM to the Legislature by August 15, 2014. As a reference, the DSM Report is attached as a tab at the end of this Report.

[22] DSMCC Core Program Evaluation Report, Program Year 2013

Chart 7
Core Program Energy Savings Achieved



Demand Response Programs

Demand response programs have a long history in the electric industry, and the types of programs available have expanded in recent years. The U.S. Department of Energy defines demand response, in part, as "changes in electric usage by end-use customers from their normal consumption patterns in response to changes in the price of electricity over time."

Demand response programs emphasize the relationship between customer consumption patterns during peak periods in response to high wholesale market prices or when system reliability is at risk. Indiana is among many states working to increase cost-effective customer participation in demand response programs.

Traditionally, Indiana utilities have relied upon interruptible load contracts with large industrial customers to reduce the need for utility-owned generation capacity. In other words, if the customer agrees to reduce its demand during peak use times, it will get a better overall rate. This arrangement is often called demand response. At the request of the utilities, increased use has also been made of appliance demand response programs, with emphasis on the control of air conditioners during times of peak load. Indiana utilities have 1,561 MW of load reduction via demand response available for summer 2014, with a large majority of this coming from interruptible load contracts with large industrial customers. Demand response programs emphasize the relationship between customer consumption patterns during peak periods in

response to high wholesale market prices or when system reliability is at risk. Indiana is among many states working to increase cost-effective customer participation in demand response programs.

On July 28, 2010, the Commission issued a decision in IURC Cause No. 43566, an investigation into the benefits of customer participation in demand response programs offered by PJM and the MISO. In the decision, the Commission expressed support for efforts to increase demand response at the wholesale level and stated that RTO demand response programs must work in tandem with and not at cross purposes to Indiana's utility regulatory framework. Consequently, all five IOUs put programs in place to enable customer participation in the demand response programs offered by the RTOs. In order to track the effectiveness of these programs, each utility must file a report with the Commission describing its experience, the costs and expenses associated with the tariffs, and the administrative charges being collected.

According to its 2013 Demand Response Annual Report filed by I&M, 19 medium-sized commercial and industrial entities participated in the company's Demand Response Service – Emergency (Rider DRS-1) with a total interruptible capacity of approximately 26 MW. The other four IOUs – Duke, NIPSCO, Vectren, and IPL – are members of MISO whose demand response programs are fairly new compared to those offered by PJM. Thus far, they have had no customer participation.

Regulatory Initiatives

State Initiatives

Senate Enrolled Act 560

On February 17, 2014, the Commission approved NIPSCO's seven-year plan in accordance with Ind. Code 8-1-39 (Transmission, Distribution, and Storage System Improvement Charges and Deferrals (TDSIC)). IURC Cause No. 44370 represents the first case where the Commission determined and gave effect to the intent of the Legislature under Senate Enrolled Act 560 (SEA 560), which provided new incentives for utility companies and businesses to encourage investment in transmission and distribution systems. Included in the plan are projects supporting transmission and distribution deliverability, replacement of aging infrastructure and economic development. IURC Cause No. 44371 approved NIPSCO's new tracker, which covers projects related to safety, reliability, system modernization, and economic development. Traditionally, these costs would have been included in rates for recovery in a base rate case.

However, utilities can now petition for recovery on a more frequent basis. In approving the NIPSCO's TDSIC mechanism as consistent with the TDSIC statute, NIPSCO may designate 80% of the costs associated with the plan as eligible for timely cost recovery. The remaining 20% will be deferred until recoverable in their next base rate case. The estimated capital cost of the seven-year plan is $1.072 billion from 2014 to 2020 and includes an annual amount for economic development projects, indirect capital and allowance for funds used during construction (AFUDC).

House Enrolled Act 1423

By virtue of this legislation, the General Assembly extended opportunities to customers in two primary ways. It expanded the universe of customers that can avail themselves of rate discounts for the expansion or creation of jobs in Indiana and it removed the existing 80 MW size limitation on private generation projects that qualify for treatment under Indiana's Alternative Energy Production, Cogeneration, and Small Hydro Facilities statute (Ind. Code 8-1-2.4).

On the customer self-generation side of the equation, Indiana has a long history of supporting federal directives such as the Public Utility Regulatory Policies Act of 1978, which was essentially codified in Indiana at Ind. Code 8-1-2.4. It is the Commission's charge under this statute to encourage qualifying self-generation projects. HEA 1423 extended the encouraged group of projects so that large cogeneration facilities (those in excess of 80 MW) now qualify. This

expansion should further encourage the use of efficient customer-sited generation at some of Indiana's largest energy consumers.

Senate Enrolled Act 340

Indiana's statewide delivery of energy efficiency programs will take on a new direction effective January 1, 2015. On March 28, 2014, SEA 340 became law in Indiana prohibiting the IURC from extending, renewing, or requiring the establishment of energy efficiency programs under the Demand Side Management Phase II Order issued in December 2009 under IURC Cause No. 42693, and eliminates the energy savings goals beyond 2014. The law also allows an industrial electric customer to opt out of participating in a energy efficiency program implemented by a public utility.

Federal Initiatives

U.S. EPA Regulations

Based on preliminary analysis, recent environmental decisions being made at the federal level have the potential to negatively impact the state of Indiana. Given the number of new requirements, the tight regulatory compliance timeframes, and Indiana's reliance on coal, costs are expected to be significant.

The new rules (especially MATS) have caused several IOUs to seek approval for additional pollution control technology in order to comply with the extremely tight timeframes associated with the implementation.

Numerous studies have been conducted on the potential impacts. For example, the SUFG released a study entitled "The Impacts of Federal Environmental Regulations on Indiana Electric Prices" in January 2012. The study analyzed how the Cross State Air Pollution Rule (CSAPR), Mercury and Air Toxics Standards Rule (MATS), greenhouse gas, cooling water, and coal ash regulations would affect Indiana. The SUFG projected that prices would be about 14% higher than a scenario absent U.S. EPA regulations.[23] Another projection is from the MISO, which announced in July 2013 that capital investment of $33 billion will be required to retrofit and/or replace units throughout its area of operations. It also stated that average energy prices could increase by $5/MWh or approximately 13%.[24]

Because the Commission is concerned about the impact on rates, it strongly opposed the

U.S. EPA regulations = a potential 14% ↑ in rates

[23] Due to the timing and stringency of the regulations, as well as the complexity of modeling the various factors affecting the production, delivery, and consumption of electricity, the SUFG stresses there is considerable uncertainty regarding the exact impact of the regulations,

[24] "Impact of EPA Regulations on Coal-Fired Capacity," Ryan Westphal, Midwest ISO, July 24, 2012

U.S. EPA's proposed three-year compliance timeline in the MATS rule. In an August 2011 letter to U.S. EPA Administrator Lisa Jackson, the Commission stated:

"It would be extremely difficult, if not impossible, for any single utility to complete these requirements within even a four-year timeline. Additionally, the compressed timeline will force utilities to compete against each other for scarce resources further driving up costs that will ultimately be borne by consumers. Our Indiana utilities project that the compressed timeline proposed will inflate costs to twice that of a more reasonable 6-8 year implementation."

Stricter ambient air quality standards for ozone and particulate matter, which are implemented at the state level, could also result in tighter limits under CSAPR and through compliance enforcement. The U.S. EPA has stated it will need until at least August 2013 to finalize new standards for particulate matter, and that it will complete its ongoing five-year review by the end of this year.

Further detail is provided below about the rules pending at or finalized by the U.S. EPA:

Cross State Air Pollution Rule (CSAPR) | Upheld by U.S. Supreme Court on April 26, 2014

- Impact: CSAPR requires power plants in 28 states (including Indiana) to reduce emissions of SO_2 and NOx, to assist states in attaining fine particle National Ambient Air Quality Standards. CSAPR was set to replace the Clean Air Interstate Rule (CAIR) on January 1, 2012. CSAPR emission limits and emission allowance trading are more stringent than those in CAIR. CSAPR was stayed pending review by the U.S. Supreme Court. The Court upheld CSAPR on April 29, 2014. The impact on Indiana utilities will depend on how the EPA implements the CSAPR.

Mercury and Air Toxics Standards Rule | Effective Rule

- Impact: MATS limits mercury, acid gases, and other toxic pollution emissions from electric generating units with a nameplate capacity greater than 25 MW that burn coal or oil. The rule requires installation of maximum achievable control technology and does not include any emission allowance trading mechanism. Compliance with MATS begins in April 2015. A one-year extension can be granted by state authorities for units working to install emission controls, and a two-year extension can be granted to units determined to be reliability-critical.

Carbon Pollution Standard for New Power Plants Rule | Proposed on March 27, 2012

- Impact: This rule does not apply to plants currently operating or newly permitted plants set to begin construction within 12 months of March 27, 2012. The U.S. EPA has stated the CO_2 emission standard can be met with new natural gas combined cycle plants or carbon reducing technologies on new coal plants.

Cooling Water Intake Rule | Proposed on April 20, 2011

- Impact: Pursuant to standards under 316(b) of the Clean Water Act, this rule is designed to protect aquatic life harmed by cooling water intakes at existing power plants. The U.S. EPA issued the final rule for publication in the Federal Register on May 17, 2014.

Coal Combustion Residual (CCR) Rule | Proposed on June 21, 2010

- Impact: This rule would regulate the handling of coal ash. The primary difference between the CCR rules proposed is whether to regulate coal ash as a hazardous or non-hazardous waste under the Resource Conservation and Recovery Act. A final rule is expected by December 19, 2014.

Effluent Discharges Rule | Proposed on April 19, 2013

- Impact: This rule would establish new or additional requirements for wastewater streams from processes associated with steam electric power generation. Depending on the requirements, the U.S. EPA expects reductions of pollutant discharges by 470 million to 2.62 billion pounds and of water use by 50 billion to 103 billion gallons per year. A final rule was expected by June 2014, but the U. S. EPA was granted an extension to finalize the rule by September 2015.

Carbon Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units | Proposed on June 18, 2014

- Impact: These guidelines would reduce CO_2 emissions via state-by-state reduction targets. The guidelines would apply to existing generating units, as opposed to the Carbon Pollution Standard for New Power Plans Rule noted above which applies to new generating units. A final set of guidelines is expected in 2015.

Indiana Utility Compliance

Indiana Utilities have undertaken significant compliance actions for MATS as shown in Table 5 on page 53. As the other rules are finalized, Indiana electric utilities will have to make additional compliance investments. It is too early to have any projected compliance plans for EPA's recently issued proposed carbon rule for existing electric utility generating units.

At present, Indiana's IOUs have developed U.S. EPA compliance plans to install pollution control property with an estimated total cost of approximately $2.8 billion.
Compliance actions include the following planned retirements:

- Duke Energy's Gallagher Units 1 & 3 in 2012 and Wabash River Units 2-5 in 2016, representing a total of 630 MW;
- Wabash River Unit 6 representing 318 MW will also retire in 2016 if it is not converted to natural gas fuel;
- I&M's Tanner's Creek Units 1-4 in 2015 for a total of 982 MW of generation;

- IPL's Eagle Valley Units 1-6 and Harding Street Units 3-4 by 2015, which total 408 MW; and
- NIPSCO's Mitchell 9A in 2013, representing 17 MW.

Together, these units represent a total of 2,338 MW or almost four times the current summer rated capacity (595 MW) of the Duke Edwardsport IGCC plant.

Table 5

U.S. EPA Compliance Actions, Announcements, and Scheduled Retirements of Indiana's Investor-Owned Utilities' Generating Units (2010- 2020)

Utility	Pollution Control Property	Retirements
Duke	IURC Cause No. 43873 – In September 2010, a CPCN was granted for dry sorbent injection technology at Gallagher Units 2 and 4, estimated to cost approximately $16 million. IURC Cause No. 44217 – In April 2013, a CPCN was granted for selective catalytic reduction (SCR) systems at Cayuga Units 1 and 2 and mercury control systems at all five Gibson units and Gallagher Units 1 and 2, estimated to cost approximately $395 million.	Gallagher Units 1 and 3 (280 MW) on 1-31-12 Wabash River Units 2-5 (350 MW) on 4-16-16 Wabash River Unit 6 (318 MW) to refuel or retire on 4-16-16
I&M	IURC Cause No. 44331 – In November 2013 a CPCN was granted for dry sorbent injection (DSI) system technology on Rockport Units 1 and 2, estimated to cost approximately $285 million.	Tanners Creek Units 1-4 (982 MW) on 4-16-15
IPL	IURC Cause No. 44242 - In August 2013, a CPCN was granted for electrostatic precipitator enhancements/upgrades, flue gas desulfurization upgrades, and monitoring devices, at Petersburg Units 1-4 and Harding St. Unit 7, estimated to cost approximately $511 million. IURC Cause No. 44339 (pending) – CPCN request to construct a 550-725 MW Combined Cycle Gas Turbine (CCGT) generation facility and to convert Harding Units 5 and 6 to natural gas at an estimated cost of $667 million.	2014/2015 – Eagle Valley Units 1-6 (338 MW) and Harding St. Units 3-4 (70 MW)
NIPSCO	IURC Cause No. 44012 – In September 2012, the IURC granted the final phase of a CPCN request for environmental controls at Schahfer Units 14, 15, 17, and 18, Michigan City Unit 12, and Bailly Units 7 and 8 was approved. The estimated cost to comply which was approved in all three phases of the case was approximately $784 million. IURC Cause No. 44311 – In October 2013, a CPCN was granted for environmental controls at Bailly Units 7 and 8, Michigan City Unit 12, and Schahfer Units 14, 15, 17 and 18 to comply with MATS, estimated to cost approximately $59 million.	2013 – Mitchell 9A (17 MW)
Vectren South	IURC Cause No. 44446 (pending) – CPCN request for clean energy and compliance projects, estimated to cost approximately $90 million.	None currently planned

Source: Utility filings

Appendices

Appendix A – Revenues for Jurisdictional Electric Utilities

Revenues for Year Ending December 31, 2013

Rank	Utility Name	Operating Revenues	% of Total Revenue
1	Duke Energy Indiana, Inc.	$ 2,924,310,838	32.74%
2	Indiana Michigan Power Co.	2,275,690,830	25.48%
3	Northern Indiana Public Service Co.	1,566,847,619	17.54%
4	Indianapolis Power & Light Co.	1,255,733,590	14.06%
5	So. Indiana Gas & Electric Co. d/b/a Vectren	619,435,608	6.94%
6	Richmond Municipal	82,306,160	0.92%
7	Anderson Municipal	77,615,760	0.87%
8	Crawfordsville Municipal	33,800,115	0.38%
9	Auburn Municipal	32,673,201	0.37%
10	Frankfort Municipal	28,627,992	0.32%
11	Lebanon Municipal	21,011,725	0.24%
12	Tipton Municipal	10,807,310	0.12%
13	Knightstown Municipal	2,280,083	0.03%
14	Kingsford Heights Municipal	676,740	0.01%
15	Greenfield Mills, Inc. Power & Light	19,836	0.00%
	Total	***$ 8,931,837,407***	***100.00%***

Appendix B – Jurisdiction over Municipal Electric Utilities

Municipal Utilities under the IURC's Jurisdiction		
Anderson	Kingsford-Heights	Tipton
Auburn	Knightstown	
Crawfordsville	Lebanon	
Frankfort	Richmond	

Municipal Utilities Withdrawn from the IURC's Jurisdiction (Ind. Code § 8-1.5-3-9)		
Advance	Edinburgh	Oxford
Argos	Etna Green	Paoli
Avilla	Ferdinand	Pendleton
Bainbridge	Flora	Peru
Bargersville	Frankton	Pittsboro
Batesville	Garrett	Rensselaer
Bluffton	Gas City	Rising Sun
Boonville	Greendale	Rockville
Boswell	Greenfield	Scottsburg
Bremen	Hagerstown	South Whitley
Brooklyn	Huntingburg	Spiceland
Brookston	Jamestown	Straughn
Cannelton	Jasper	Tell City
Centerville	Ladoga	Thorntown
Chalmers	Lawrenceburg	Troy
Chrisney	Lewisville	Veedersburg
Coatesville	Linton	Walkerton
Columbia City	Logansport	Warren
Covington	Middletown	Washington
Crane	Mishawaka	Waynetown
Darlington	Montezuma	Williamsport
Dublin	New Carlisle	Winamac
Dunreith	New Ross	

Appendix C – Jurisdiction over Rural Electric Membership Cooperatives

REMCs Withdrawn from the IURC's Jurisdiction (Ind. Code § 8-1-13-18.5)*		
Bartholomew County REMC	Jasper County REMC	Rush Shelby County REMC
Boone County REMC	Jay County REMC	South Central Indiana REMC
Carroll County REMC	Johnson County REMC	Southeastern Indiana REMC
Ninestar Connect	Kankakee Valley REMC	Southern Indiana REC
Clark County REMC	Kosciusko County REMC	Steuben County REMC
Daviess-Martin County REMC	Lagrange County REMC	Tipmont REMC
Decatur County REMC	Marshall County REMC	United REMC
Dubois REC	Miami-Cass REMC	Utilities District of W. Indiana
Fulton County REMC	Newton County REMC	Wabash County REMC
Harrison County REMC	Noble County REMC	Warren County REMC
Hendricks County REMC	Northeastern REMC	White County REMC
Henry County REMC	Orange Co. REMC	Whitewater Valley REMC
Jackson County REMC	Parke County REMC	WIN Energy REMC

*No REMCs remain under the IURC's jurisdiction.

Appendix D – Residential Electric Bill Survey (July 1, 2014)

	kWh Consumption			
Municipal Utilities	**500**	**1000**	**1500**	**2000**
Anderson Municipal	$62.93	$106.15	$149.37	$192.58
Auburn Municipal	$39.31	$73.61	$107.92	$142.22
Crawfordsville Municipal	$54.75	$94.50	$134.25	$174.01
Frankfort Municipal	$50.47	$90.67	$130.87	$166.78
Kingsford Heights Municipal	$53.18	$102.86	$152.54	$202.22
Knightstown Municipal	$55.49	$106.38	$152.97	$199.55
Lebanon Municipal	$59.82	$109.86	$156.11	$202.36
Richmond Municipal	$55.45	$95.36	$135.27	$173.45
Tipton Municipal	$52.80	$99.60	$144.11	$188.62

Investor-Owned Utilities	**500**	**1000**	**1500**	**2000**
Duke Energy Indiana	$72.48	$123.91	$170.47	$217.07
Indiana Michigan Power d/b/a AEP	$53.32	$99.33	$145.35	$191.36
Indianapolis Power & Light Co.	$61.07	$99.64	$138.20	$176.77
Northern Indiana Public Service Co.	$69.54	$128.09	$186.63	$245.18
So. Indiana Gas & Electric Co. d/b/a Vectren	$81.57	$152.15	$222.72	$293.29
Average for 2014 Survey	***$58.73***	***$105.86***	***$151.91***	***$197.53***
Average for 2013 Survey	***$57.17***	***$103.46***	***$148.66***	***$193.27***
Average for 2012 Survey	***$54.61***	***$98.59***	***$141.48***	***$183.78***
% Change from 2013 Survey to 2014 Survey	***2.72%***	***2.32%***	***2.19%***	***2.21%***

Appendix E – Residential Electric Bill Survey

Year-to-Year Comparison for 1,000 kWh

Municipal Utilities	2014	2013	% Change
Anderson Municipal	$106.15	$103.76	2.30%
Auburn Municipal	$73.61	$69.58	5.80%
Crawfordsville Municipal	$94.50	$100.18	-5.67%
Frankfort Municipal	$90.67	$90.11	0.63%
Kingsford Heights Municipal	$102.86	$103.72	-0.83%
Knightstown Municipal	$106.38	$101.09	5.23%
Lebanon Municipal	$109.86	$103.66	5.99%
Richmond Municipal	$95.36	$99.12	-3.79%
Tipton Municipal	$99.60	$96.80	2.89%
Municipal Averages	***$97.67***	***$96.45***	***1.27%***

Investor-Owned Utilities	2014	2013	% Change
Duke Energy Indiana	$123.91	$113.18	9.48%
Indiana Michigan Power d/b/a AEP	$99.33	$99.29	0.04%
Indianapolis Power & Light Co.	$99.64	$94.19	5.78%
Northern Indiana Public Service Co.	$128.09	$119.00	7.64%
So. Indiana Gas & Electric Co. d/b/a Vectren	$152.15	$154.77	-1.69%
Investor-Owned Averages	***$120.62***	***$116.08***	***3.91%***

Appendix F – Residential Electric Bill Comparison

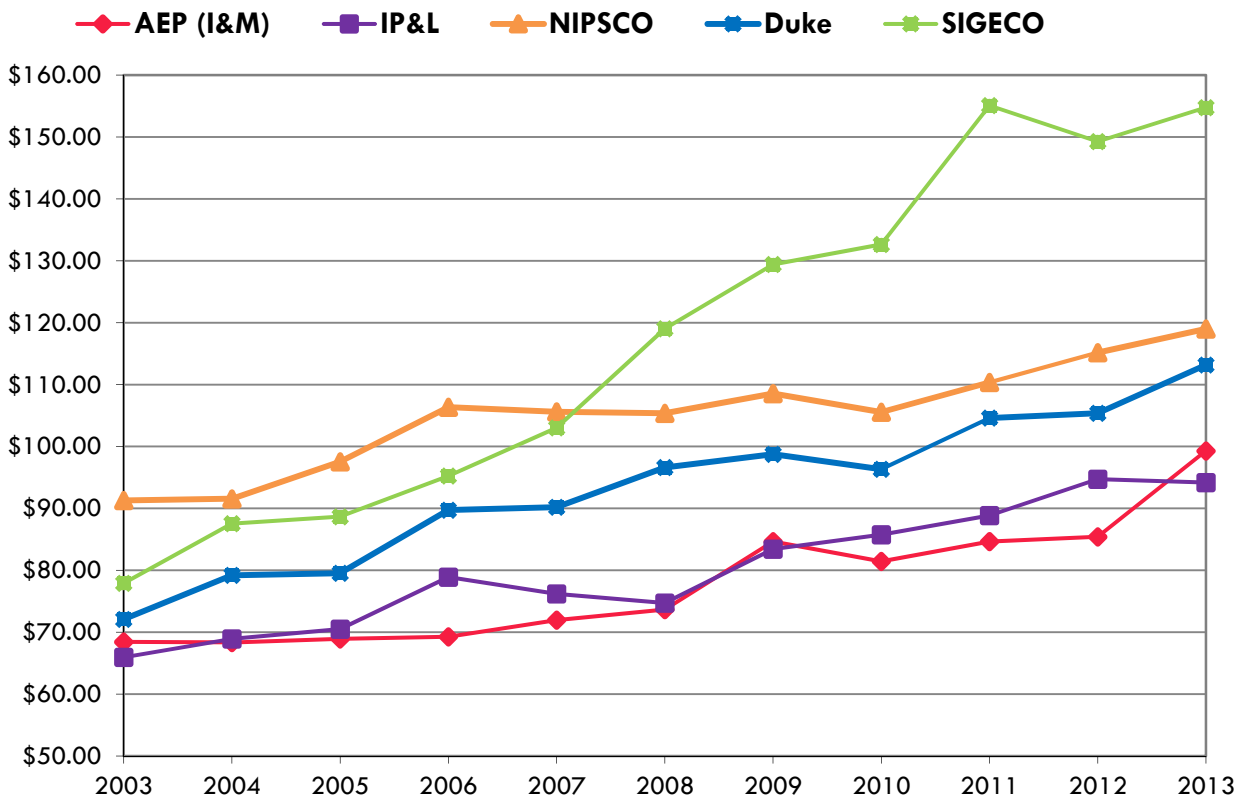
5-Year and 10-Year Comparisons for 1,000 kWh

Utility	5-Year Change		10-Year Change	
American Electric Power Co. (I&M)	$25.63	34.8%	$30.86	45.1%
Indianapolis Power & Light (IP&L)	$19.47	26.1%	$28.24	42.8%
Northern Indiana Public Service Co. (NIPSCO)	$13.63	12.9%	$27.72	30.4%
Duke Energy Indiana (Duke)	$16.56	17.1%	$41.10	57.0%
Southern Indiana Gas & Electric Co. (VECTREN)	$35.73	30.0%	$76.86	98.6%

Note: Individual company increases for rates and charges vary widely due to different levels of capital investments for environmental compliance, in addition to the timing of rate cases.

Appendix G – Residential Electric Bill Comparison

10-Year Comparison for 1,000 kWh



Natural Gas Report

Executive Summary

The Natural Gas section of the Annual Report discusses key issues facing the industry. These topics include market volatility, pipeline safety programs, infrastructure incentives approved by the legislature, and cybersecurity concerns. It also highlights actions taken by the Commission to address specific challenges associated with these topics.

Market Volatility

The commodity cost of natural gas continues to fluctuate, although prices have decreased dramatically since their peak in 2009. Due to lower commodity costs, natural gas residential customers, on average, have experienced a decrease in their bills. However, the extremely cold winter temperatures of late 2013 and early 2014 resulted in higher than normal bills for gas customers based simply on a greater need for the commodity. In 2012, a residential customer using 200 therms would have received a bill for $177.23. In 2013, this bill would have decreased to $168.20. Both the 2012 and 2013 bills are lower than the five-year industry average of $196.92, and significantly lower than the 2009 average bill of $261.33. Pricing is dependent on weather, advancements in technology, sourcing (e.g. hydraulic fracturing), and other factors that are difficult to quantify or predict, such as government actions and regulations. Prior to the increases in 2013, reduced consumption, a slower economy, and cooler temperatures were all factors that led to supply excess, thus driving down prices. However, the market could adjust if low prices lead to an increase in demand. For example, electric utilities are now able to take advantage of the low cost of natural gas as an alternative to coal. Depending on the extent to which plants are converted, as well as new industrial demand, exports, and fracking regulations, the existing high supply levels could decrease and create upward price pressures.

Pipeline Safety Programs

Given the heightened level of attention on pipeline safety in recent years since the San Bruno, California incident, federal and state regulators have taken precautions and become extra vigilant of pipeline safety and its importance. In Indiana, the IURC's Pipeline Safety Division has jurisdiction over intrastate pipelines. It is the division's charge to ensure pipeline operators' compliance with the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration's rules and regulations. If a violation is identified, the Pipeline Safety Division investigates the matter and may access penalties based on the infraction. Over the course of the past year, the Commission has taken action against several operators that committed violations, resulting in fines and other compliance actions.

Utility Locate Requests and CNG Incentives

Senate Enrolled Act 405 clarified various sections of Indiana Code related to underground utility facilities. SEA 405 states that a locate request for demolition and excavation activities expires 20 days after the date the request is submitted to Indiana 811. If the area requires further excavation or demolition, the excavator must renew the request prior to the expiration for the previous request in order to continue excavation or cease work until a new request takes effect. House Enrolled Act 1324 put to action Indiana's commitment to invest in alternative fuels. Starting this year, Hoosiers are eligible for an income tax credit for natural gas powered vehicles weighing more than 33,000 pounds. Each person or entity is eligible for up to $150,000 each tax year and the vehicle or vehicles must have been placed in service during that tax year to qualify.

Protecting Critical Infrastructure

Threats to utilities' critical infrastructure – both cyber and physical – have never been greater than they are today. These threats have the potential to halt emergency services, bring down communications systems, taint water supply, attack pipelines, and create widespread power outages, posing risks to our everyday lives. In order to stay on top of this issue, the Commission held meetings this summer with the state's utilities to discuss their efforts toward preparedness, mitigation, and resiliency in the event of a cyber attack. State agencies also attended, including the Indiana Department of Homeland Security and the Indiana Office of Technology.

Overview

Industry Structure

The natural gas industry consists of three systems: producers (the gathering system), interstate and intrastate pipelines (the transmission system), and local distribution companies or LDCs (the distribution system), all of which are illustrated in Figure 1 on the next page.

Interstate pipelines, regulated by the Federal Energy Regulatory Commission (FERC), carry natural gas across state boundaries; intrastate pipelines, regulated by state commissions, carry natural gas within state boundaries. States, including Indiana, that have certified pipeline safety programs are delegated federal authority by the U.S. Department of Transportation to conduct inspections, investigate incidents, and enforce state and federal safety regulations. Other federal industries involved in the natural gas industry include the following:

Feds = Interstate

- Federal Trade Commission
- U.S. Department of Energy
- U.S. Environmental Protection Agency
- U.S. Securities and Exchange Commission

In Indiana, the Commission regulates the rates, charges, and terms of service for intrastate pipelines and LDCs. Through its Pipeline Safety Division, the Commission enforces state and federal safety regulations for all intrastate natural gas facilities. Additionally, the Commission reviews gas cost adjustments (GCAs), financial arrangements, service territory requests, and conducts investigatory proceedings. It also analyzes various forms of alternative regulatory proposals, such as rate decoupling, rate adjustment mechanisms, and customer choice initiatives.

States = Intrastate

How It Works

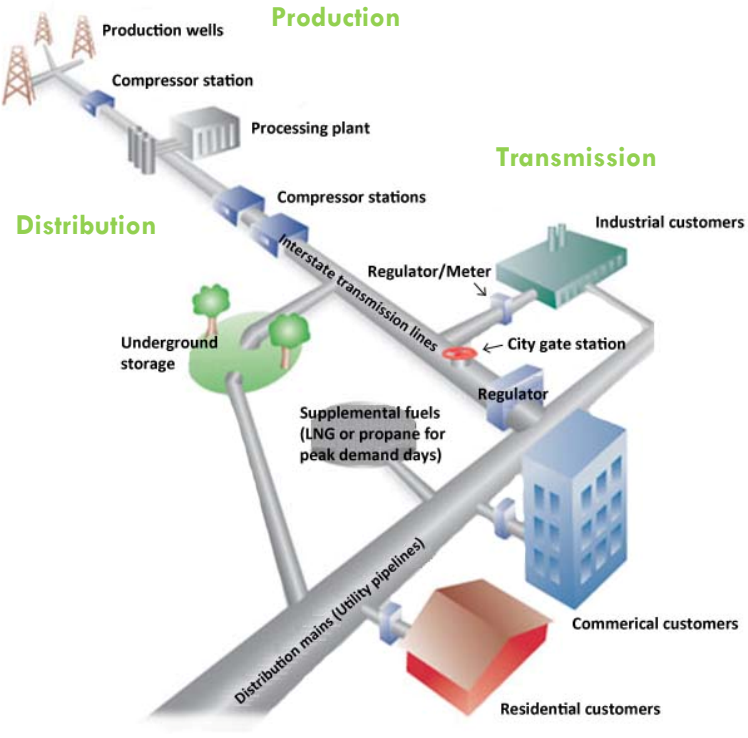
Production System

As shown in Figure 1, the production of natural gas begins with raw natural gas extracted at the wellhead, where initial purification occurs before entering the low-pressure, small diameter pipelines of the gathering system. The natural gas is then re-purified at a processing plant. Purified natural gas consists of approximately 90% methane, compared to raw natural gas that is generally 70% methane combined with a variety of other compounds. Quality and safety reasons require natural gas to meet certain standards before it is released into the pipeline system.

Transmission System

The transmission system includes interstate and intrastate pipelines that carry gas from producing regions throughout the U.S. to LDCs, industrial consumers, and power generation customers. The vast majority of natural gas consumed in Indiana is from out-of-state production, primarily the Gulf of Mexico. In 2013, approximately 664.3 million dekatherms (Dth) of natural gas was delivered to consumers within the state. Only a small portion (1.5%) of that is produced in Indiana. This illustrates Indiana's dependence on the transmission system to carry natural gas from the gas producing regions of the country into the state.[1]

Figure 1



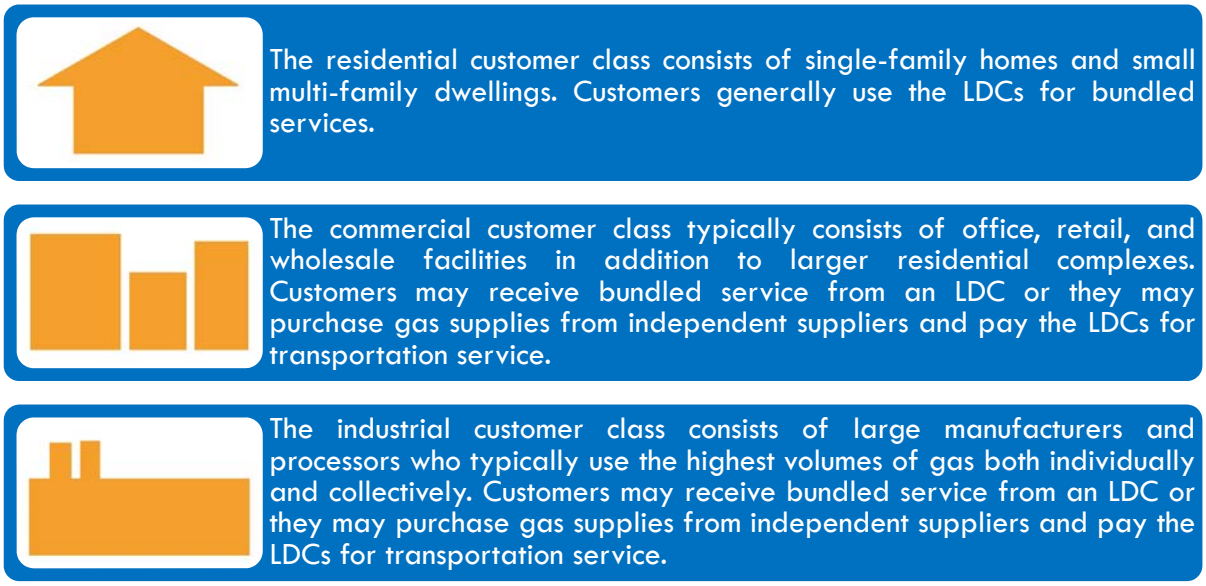
In Indiana, Heartland Pipeline (Heartland) and the Ohio Valley Hub Pipeline (OVH) are the two intrastate pipelines under the Commission's jurisdiction. The Commission governs these pipelines' operations, services, and rates. Heartland is a 25-mile pipeline running west to east connecting the Midwestern Gas Transmission (MGT) interstate pipeline in Sullivan, Indiana to Citizens Gas' underground storage facility in Greene County. OVH is a 9.2-mile pipeline located in Knox County. It provides connections for two

[1] U.S. Energy Information Administration (EIA), Natural Gas Summary, *available at* www.eia.gov/dnav/ng/ng_sum_lsum_dcu_SIN_a.htm (last visited July 11, 2014)

interstate pipelines (Texas Gas Transmission and MGT) to the Monroe City Gas Storage Field owned by Vectren.

Distribution System

Gas moves through the transmission system and enters the distribution system, where LDCs deliver gas to their customers on either a bundled basis (i.e., commodity and transportation) or unbundled basis (i.e., the customer buys gas from a producer or marketer and pays the LDC to transport the gas from the city gate[2] to the customer's facilities). Customers include the residential, commercial, and industrial classes.



Regulated Utilities

The Commission has regulatory authority over 19 natural gas distribution utilities in Indiana whose 2013 annual operating revenues total $1.75 billion (Appendix A).[3] These utilities maintain plant in service of approximately $4.7 billion and serve roughly 1.6 million customers. Of the regulated utilities, one is a not-for-profit, two are municipalities, and 16 are investor-owned utilities (IOUs). Citizens Gas and the three IOUs detailed represent the four largest natural gas utilities in the state and collectively serve 95% of the gas customers by count. Map 1 shows the service territories of these utilities, as well as other jurisdictional natural gas utilities in Indiana.

[2] The city gate is the delivery point where the natural gas is transferred from a transmission pipeline to the LDC.
[3] IURC's eCMS fee billing database.

Investor-Owned Utilities

Three major IOUs operate in Indiana service territories with other portions of the state similarly assigned to municipal utilities and other smaller IOUs. IOUs are for-profit enterprises funded by debt (bonds) and equity (stock).

Northern Indiana Public Service Company (NIPSCO), a subsidiary of NiSource Inc., is headquartered and based in Merrillville, Indiana. The natural gas utility serves 710,000 customers in northern Indiana.

Vectren Corporation (Vectren) is headquartered and based in Evansville, Indiana, and operates two separate entities – Vectren North (f/k/a Indiana Gas) and Vectren South (f/k/a Southern Indiana Gas & Electric Co.) The natural gas utility serves 579,000 customers in central and southern Indiana through Vectren North and an additional 111,000 customers in southwestern Indiana through Vectren South.

Municipal Utilities

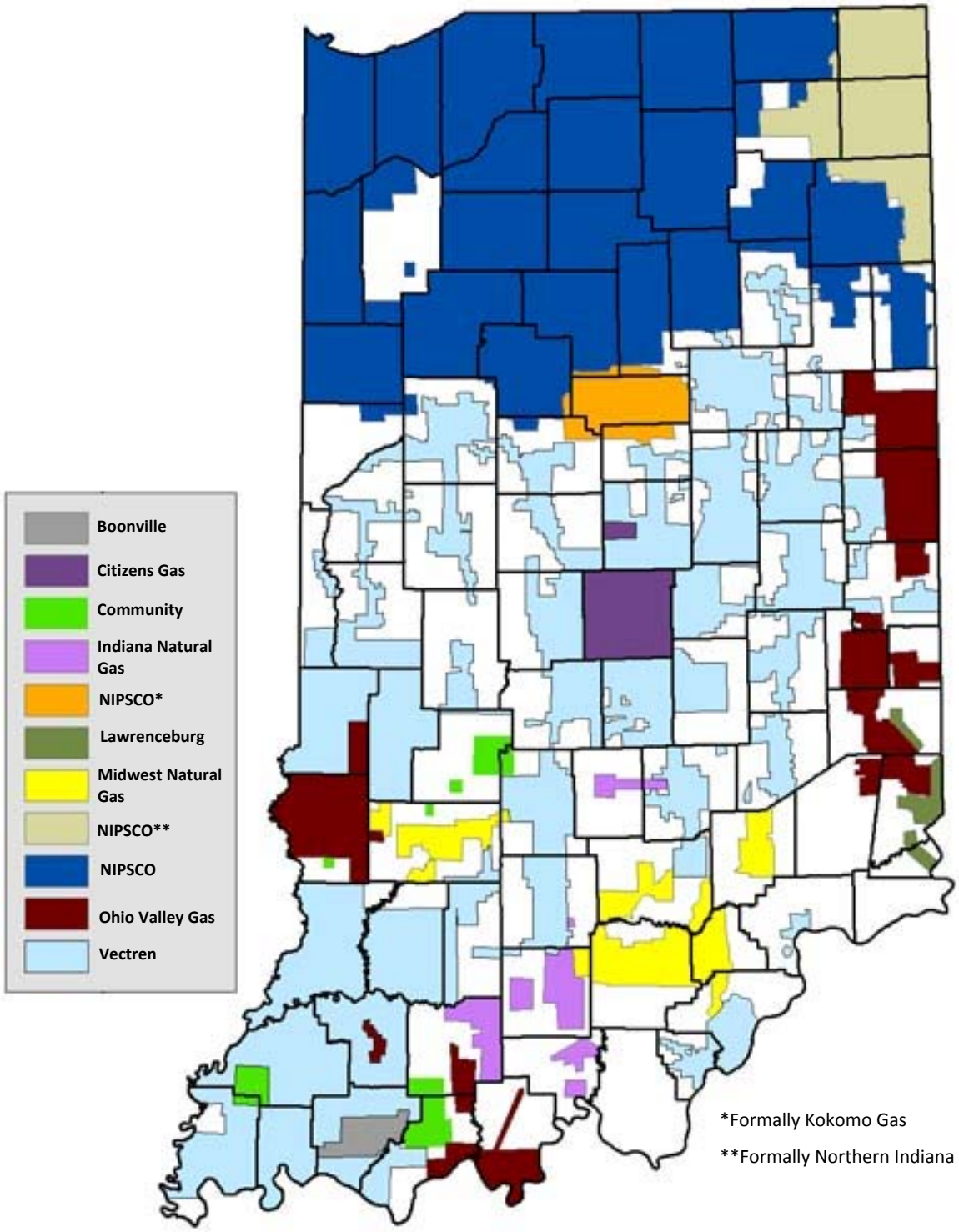
Citizens Gas is a public charitable trust (treated as a municipality for regulatory purposes), serving 264,000 customers primarily in the Indianapolis metropolitan area.

Pursuant to statute, municipal utilities, excluding Citizens Gas, may "opt out" of the Commission's jurisdiction for rates and charges in favor of local control in determining rates. However, utilities that choose to opt out remain under the jurisdiction of the Commission's Pipeline Safety Division.[4] Of the state's 18 municipal gas utilities, 17 have elected to withdraw from the Commission's oversight. To view a list of the withdrawn utilities, please see Appendix B.

[4] Ind. Code § 8-1.5-3-9

Map 1

Natural Gas Service Territories



*Formally Kokomo Gas

**Formally Northern Indiana Light and Fuel

Legal and Policy Foundations

Pipeline Safety Act of 1968

The IURC's Pipeline Safety Act of 1968 established the federal pipeline safety program. This federal program establishes a framework and organizational structure for a federal/state partnership regarding pipeline safety.[5] This framework promotes pipeline safety through exclusive federal authority for the regulation of interstate pipeline facilities and federal delegation to the states for all or part of the responsibility for intrastate pipeline facilities.

The federal/state partnership is the cornerstone for ensuring uniform implementation of the pipeline safety program nationwide. It also authorizes federal grants to help defray a state agency's personnel, equipment, and activity costs. Grant amounts are primarily determined through annual evaluations of the state's program and its annual reporting. Indiana's program, as established by statute, has historically received high marks from the annual federal evaluations.[6]

Indiana's Pipeline Safety Program

The Pipeline Safety Division is responsible for enforcing state and federal safety regulations for Indiana's intrastate gas pipeline facilities as established under Ind. Code 8-1-22.5. The division operates in partnership with the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) under a certification agreement.

The Pipeline Safety Division's primary mission is to ensure the safe and reliable operation of Indiana's intrastate pipeline transportation system. This is accomplished largely through inspections, as well as training, outreach programs, enforcement through injunctions and monetary sanctions, and investigations of pipeline accidents. During 2013, the division conducted 790 inspections of 63 operators and 124 associated inspection units, safely resolving 189 probable violations. The Commission also ordered $180,000 in civil fines related to these pipeline safety violations.

In 2013, 790 pipeline inspections were safely conducted and 1,255 excavation damage cases were investigated.

Additionally, the Pipeline Safety Division is also responsible for tracking and investigating all alleged violations of the state's Indiana 811 law and is active in a variety of damage prevention efforts. In 2013, the division investigated 1,255 excavation damage cases in this matter. As a result of these investigations, the Commission ordered 475 warning letters and 325 instances of

[5] 49 U.S.C. § 601
[6] Ind. Code § 8-1-22.5

training for pipeline safety violations, as recommended by the Underground Plant Protection Advisory Committee (Advisory Committee). In addition, the Advisory Committee has started recommending civil penalties for repeated violations that occurred after September 1, 2013.

Subsequent to the San Bruno incident in 2010 which killed eight people and destroyed 38 homes,[7] the National Transportation Safety Board recommended to the Secretary of Transportation that the Office of Inspector General (OIG) perform an audit of PHMSA. The objective of this audit recommendation was to determine the effectiveness of PHMSA's oversight of state pipeline safety programs in verifying whether State Programs were executing their pipeline safety enforcement responsibilities over pipeline system operators effectively. State program performance and effectiveness ultimately determines the level of federal funding received.

Initial results from this OIG audit have resulted in PHMSA's increased scrutiny of state program processes and procedures, which are designed to ensure compliance with PHMSA State Program guidelines and ultimately enhanced compliance by pipeline system operators. PHMSA has also begun voicing concerns over state programs' limited use of civil fines to motivate pipeline system operators to achieve compliance. The Pipeline Safety Division has been responsive to PHMSA's concerns and continues to work toward continuous improvement in its overall program, including enhancements to its processes and procedures and the use of civil penalties to help ensure pipeline operator compliance.

Indiana Underground Plant Protection Advisory Committee

Excavation damages pose the single greatest risk to the safe operations of natural gas pipeline systems throughout the country. To help address this risk Indiana's Damage to Underground Facilities Law (Ind. Code 8-1-26) also known as the state's "One-Call" law, establishes requirements both excavators and underground facility owners are to follow regarding excavation projects. The law also establishes an enforcement process which includes possible civil penalties of up to $10,000 for individual violations of the law.

The Indiana Underground Plant Protection Advisory Committee (IUPPAC) was established by Ind. Code 8-1-26 and is comprised of representatives from various stakeholder groups appointed by the Governor. The IUPPAC acts in an advisory capacity to the Commission and makes penalty recommendations to the Commission after reviewing the findings of the Pipeline Safety Division regarding alleged violations it has investigated.

[7] Dearen, Jason. "PG&E Criminally Charged in Fatal Pipeline Blast." *AP The Big Story*, April 1, 2014, *available at* http://bigstory.ap.org/article/pge-criminally-charged-fatal-pipeline-blast.

Operations & Prices

Infrastructure

To transport natural gas to end-use customers, utilities maintain thousands of miles of transmission pipelines and distribution mains. Over time, the natural gas industry has studied and developed best practices for the maintenance and replacement of aging infrastructure. Although age is one factor in considering whether a pipeline may need to be replaced, the type of material used (bare steel, cast iron, plastic), its location, and the relative risk to public safety are also considered. In accordance with pipeline safety standards, utilities perform inspections of their pipeline facilities on a regular basis to help identify areas at risk. Based on the results of these inspections, corrective actions are initiated. In some cases, this may include implementing replacement programs for existing bare steel, cast iron, or wrought iron systems. Many of these pipes need to be replaced because older pipelines of this nature were not coated or cathodically protected[8] when they were installed years ago. Consequently, corrosion and leaks have developed over time. To enhance reliability and safety, many utilities now use plastic pipe for their distribution systems.

More than 60% of the state's distribution mains are at least 30 years old.

More than 66% of the state's transmission mains are at least 40 years old.

Age Profile

Indiana's natural gas infrastructure consists of more than 75,000 miles of intrastate pipelines, placed in service over the past 80-plus years. Included in this total are more than 40,000 miles of distribution mains, which transport gas within a given service area to points of connection with pipes serving individual customers. More than 60% of the state's distribution mains are at least 30 years old. Also included in the state's infrastructure are approximately 1,900 miles of transmission lines, which transport gas from a source or sources of supply to one or more distribution centers, large volume customers, or other pipelines that interconnect sources of supply. Typically, transmission lines differ from gas mains in that they operate at higher pressures, are longer, and have a greater distance between connections. More than 66% of the state's transmission mains are at least 40 years old, as shown in Table 1.

Depending on a utility's maintenance plan and the layout of its service territory, some utilities have fared better than others when it comes to replacing outdated steel and iron systems.

[8] Cathodic protection systems help prevent corrosion from occurring on the exterior of pipes, by substituting a new source of electrons, commonly referred to as either a "sacrificial anode" or "impressed current anode". Both systems operate by imparting a direct current onto the buried pipeline, using devices called rectifiers. As long as the current is sufficient, corrosion is prevented, or at least mitigated and held in check. *Available at* http://primis.phmsa.dot.gov/comm/FactSheets/FSCathodicProtection.htm.

Table 1
Age Profile of Jurisdictional Transmission Lines and Distribution Mains

Age	Transmission Lines		Distribution Mains	
Years Old	Miles	% of Total	Miles Mains	% of Total
80+	-	-	258	0.98%
70-80	26	1.36%	211	0.53%
60-70	293	15.28%	2,543	6.34%
50-60	704	36.70%	9,361	23.32%
40-50	259	13.50%	4,977	12.40%
30-40	175	9.12%	7,017	17.48%
20-30	258	13.45%	8,271	20.61%
10-20	168	8.76%	5,651	14.08%
0-10	11	0.57%	1,158	2.89%
Unknown	24	1.25%	689	1.72%
Total	**1,918**	**100.00%**	**40,136**	**100.00%**

Protecting Critical Infrastructure: Gas

A man in China using the screen name "UglyGorilla" gained access to the network of a Northeastern United States utility company. The intruder copied schematics and security guard memos, and sought out systems that regulate natural gas flow. The man appears to have been on a scouting mission to prepare for possible cyber warfare. The group that he is part of has allegedly been focused on SCADA systems, looking for flaws that could be exploited to manipulate availability of utilities and mapping physical infrastructure.

Federal guidelines for integrity management require that operators, including LDCs, and pipeline companies make every effort to assess threats to their pipelines.[9] The replacement of aging infrastructure continues to be an ongoing focus as demand for service connections continues to increase.

[9] Integrity management is a risk-based approach to pipeline safety resulting from the federal Pipeline Safety Acts of 2002 and 2006.

Investments

Depending on a utility's maintenance plan and the layout of its service territory, some utilities have fared better than others when it comes to replacing outdated steel and iron systems. For example, NIPSCO's distribution system consists of 99.6%[10] plastic or cathodically protected steel; whereas, the industry average is 97%[11]. Cast iron/bare steel comprises only 0.4%[12] of NIPSCO's system, compared to the national average of 3%.[13] Due to more stringent pipeline safety standards, utilities are implementing replacement programs, if they have not already done so. For example, Vectren North, Vectren South, and Citizens Gas have all implemented replacement programs to rid their systems of at-risk pipe.

East Harlem Natural Gas Explosion

On March 12, 2014, a tragic natural gas explosion occurred in the East Harlem neighborhood of Manhattan in New York City, resulting in the deaths of eight individuals and injuries of 70 more, destroying two apartment buildings. Subsequently, it was determined that the cause of this explosion was a natural gas leak on a Con Edison gas main that had been installed in 1887 - 127 years ago.

Replacement of aging infrastructure is a significant and costly undertaking. More than 25% (1,100 miles) of Con Edison's distribution system (located in Manhattan, the Bronx, and parts of Queen and Westchester County in New York) consists of aging cast iron mains, likely in need of replacement. In contrast, the entire state of Indiana has less than 300 miles of cast iron mains (or 1% of its total infrastructure).

To better serve its citizens and prevent a catastrophic event like that in East Harlem, the Town of Roachdale, Indiana, was ordered by the Commission to fix their aging infrastructure in 2012. The town completed the replacement of nearly its entire distribution system which was aging and rapidly deteriorating. The town has approximately 13 miles of main and less than 500 customers. The cost of this replacement project was over $1.1 million.

In the last rate cases of Vectren North[14] and Vectren South,[15] the utilities requested permission to replace all remaining bare steel and cast iron infrastructure in order to enhance service reliability and safety. The accelerated program replaces the utilities' poorest performing infrastructure over

[10] 2013 Winter Natural Gas Forum
[11] U.S. Department of Transportation, Pipeline & Hazardous Materials Safety Administration, Pipeline Replacement Updates, *available at* http://opsweb.phmsa.dot.gov/pipeline_replacement/ (last accessed July 11, 2014).
[12] 2013 Winter Gas Forum
[13] U.S. Department of Transportation, Pipeline & Hazardous Materials Safety Administration, Pipeline Replacement Updates, *available at* http://opsweb.phmsa.dot.gov/pipeline_replacement/ (last accessed July 11, 2014).
[14] Cause No. 43298 – The Commission issued its Order in this Cause on February 13, 2008
[15] Cause No. 43112 – The Commission issued its Order in this Cause on August 1, 2007

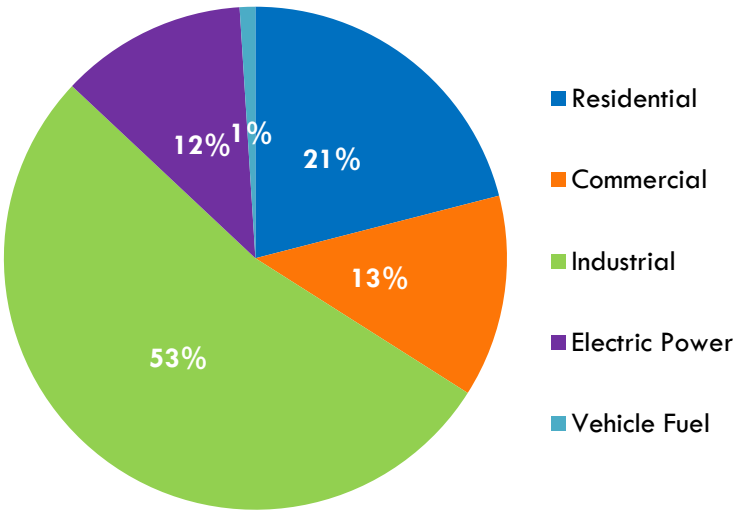
a 20-year period. As of June 2012, 47 gas utilities in other states have utilized similar programs.[16] Over the 20-year period, Vectren North projects a program cost of about $345 million or an annual capital requirement of $17.25 million. Vectren South, on the other hand, projects a program cost of about $90 million or an annual capital requirement of $4.5 million. Citizens Gas has requested recovery for annual extensions and replacements (E&R) to its system in its last three rate cases. The utility has a policy requiring planned replacement of cast iron, wrought iron, and bare steel, as well as poor condition service pipe. In IURC Cause No. 43975, Citizens was approved for a revenue requirement for E&R of $25.2 million, based on a three-year average of such expenditures.

Leak Detection

Federal and State pipeline safety standards require natural gas pipeline operators to systematically patrol and survey all of their transmission and distribution pipelines. These patrols and surveys are to be completed at prescribed intervals, which vary depending upon specific environmental conditions or circumstances (e.g. earthquakes, construction activity, weather conditions, etc.). The goal of these patrols and surveys are to proactively identify gas leaks or hazardous conditions that may lead to a gas leak. Advances in technology have continued to improve the effectiveness of leak detection equipment. Patrols provide evidence through visual observation of the existence of leaks and potentially hazardous conditions. Surveys, on the other hand, generally require the use of leak detection equipment designed to detect the presence of natural gas.

Chart 1

Consumption by sector in Indiana for 2013



Source: Energy Information Administration

Indiana pipeline safety regulations go above and beyond federal regulations and specifically require leak surveys to be conducted once each calendar year in areas of high occupancy buildings, such as schools, churches, hospitals, apartment buildings, and commercial buildings.

[16] www.snl.com/InteractiveX/doc.aspx?ID=15213758 (subscription required)

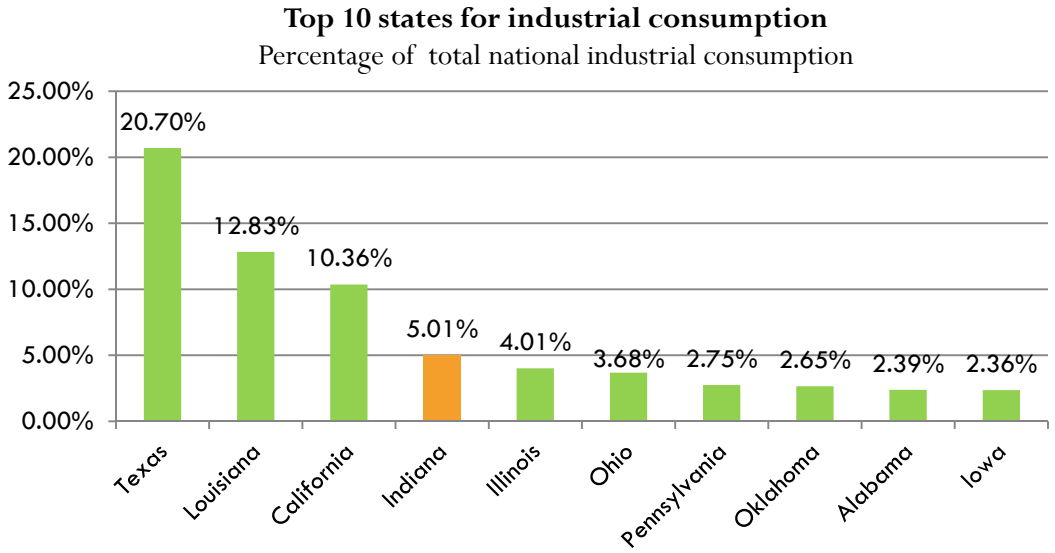
Pipeline safety regulations require natural gas distribution pipeline operators to ensure the gas they deliver is properly odorized. This is a very important safeguard and provides additional assurances that natural gas leaks will be detected. Specific requirements are prescribed to achieve this desired odor. However it is achieved, the detection and repair of hazardous natural gas leaks is of paramount importance in the safe operations of natural gas pipeline systems.

Demand and Supply

As previously mentioned, Indiana's LDCs serve three different types of customers: residential, commercial, and industrial. In 2013, Indiana's residential customers consumed approximately 145 million Dth of natural gas, which accounts for 21% of the state's total volumes delivered to consumers, as shown in Chart 1.[17] Also in 2013, Indiana's commercial customers consumed about 13% of the state's total volumes delivered to consumers or 83 million Dth of natural gas.[18]

Industrial customers accounted for 53%, or 356 million Dth, of the state's total volumes delivered, making Indiana the 4th highest state for industrial natural gas consumption in the U.S.[19] Chart 2 shows the other states within the top 10. Electric power consumers accounted for approximately

Chart 2



79 million Dth or 12% of Indiana's total consumption, a 6% decrease in gas consumption by this sector over 2012.[20] In 2013, both residential and commercial sector consumption increased, industrial consumption stabilized, and electric power sector consumption decreased as an overall

[17] U.S. EIA, Natural Gas Consumption by End Use as of 17 Apr 2013, *available at* http://tonto.eia.doe.gov/dnav/ng/ng_cons_sum_dcu_SIN_a.htm (last accessed July 11, 2014).
[18] Id.
[19] U.S. EIA, Natural Gas Consumption by End Use as of 25 Apr 2013, *available at* http://tonto.eia.doe.gov/dnav/ng/ng_cons_sum_a_EPG0_vin_mmcf_a.htm (last accessed July 11, 2014).
[20] U.S. EIA, Natural Gas Consumption by End Use as of 17 Apr 2013, *available at* http://tonto.eia.doe.gov/dnav/ng/ng_cons_sum_dcu_SIN_a.htm (last accessed July 11, 2014).

percentage of total consumption compared to 2012 values. Nationwide, total natural gas consumption increased slightly by 2% or 503,772 Dths from 2012 to 2013.[21]

Drivers of Demand

Environmental factors, economic growth, and weather are the primary factors driving demand for natural gas. Because natural gas is a cleaner burning fuel than coal, it is often used as an alternative fuel source for electric generation, especially in light of current low gas prices and proposed U.S. EPA regulations. Although the magnitude of the increase has yet to be determined, demand is expected to continue to grow. In 2013, total average daily U.S. natural gas demand grew by 2.3% to 70 Bcfd, the highest level on record. This was primarily due to colder than normal weather, which drove residential and commercial demand up 16% in 2013.[22] This also contributed to the increase in natural gas prices. In 2012, prices ranged from a ten-year low of $1.82/MMBtu in April before gradually rising to $3.77/MMBtu in late November 2012. In 2013, however, spot prices ranged from a low of $3.33/MMbtu in January 2013 to $4.24/MMbtu in December 2013.[23] This price increase caused a 10% reduction in demand from the power generation sector as natural gas became less competitive as an electric generation fuel.[24]

Environmental factors, economic growth, and weather = primary factors driving demand for natural gas

Demand also increases, albeit to a lesser extent, when weather is warmer during the summer cooling season, as natural gas is often used to generate electricity at times of peak demand. Since gas consumption is lower in the summer, gas utilities historically have replenished their stored natural gas supplies at this time, in preparation for the upcoming winter heating season. More often than not, utilities are able to purchase these supplies at lower, more favorable prices outside the winter heating season. However, as gas becomes more popular as a fuel source for electric generation, the price differential may diminish.

[21] www.eia.gov/dnav/ng/ng_cons_sum_a_EPG0_VC0_mmcf_a.htm 4/17/2014 (subscription required)
[22] *State of the Markets Report-2013* U.S. Dept. of Energy-Federal Energy Regulatory Commission-Office of Enforcement 2014
[23] www.eia.gov/dnav/ng/hist/rngwhhdd.htm 4/17/2014 (subscription required)
[24] *State of the Markets Report-2013* U.S. Dept. of Energy-Federal Energy Regulatory Commission-Office of Enforcement 2014

Supply Side Factors

New technology and lower extraction costs have led to increased drilling for non-conventional gas supplies (e.g., coal bed methane, shale gas, and tight sands). Tapping formerly unrecoverable sources of gas has contributed significantly to the supply, which continues to overwhelm swings in demand. The main factors influencing supply include:

1. Variations in natural gas production;
2. Net imports; and
3. Storage levels.[25]

Domestically, the winter heating season (2013-2014) ended with working gas in underground storage 55% below the five-year average. As of April 2014, the lower 48 states had 826 Bcf in storage compared to the five-year average of 1,823 Bcf.[26] The extremely cold winter of 2013-2014 influenced the large depletion of storage levels. Other developments affecting supply in the long-term includes FERC approvals for LNG exportation.

Additionally, natural gas producers have shifted their drilling efforts to more liquid-rich plays due to, 1) depressed prices in the natural gas market and, 2) higher prices in the liquids market (i.e., petroleum). To date, natural gas production volume has remained consistent, so it is unlikely a rapid contraction in supply will be experienced in the short term; however, expanded use of natural gas for electric generation could significantly alter supply projections over the longer term. Increased production efficiencies and the associated gas often found in the liquid-rich plays help to maintain current drilling and supply levels. Associated gas is raw natural gas found in crude oil wells, either dissolved in the oil or as a "cap" or pocket of free gas above the oil.[27]

---

[25] US E.I.A., Natural Gas Explained, *available at* www.eia.gov/energyexplained/index.cfm?page=natural_gas_factors_affecting_prices (last accessed July 15, 2014).

[26] ir.eia.gov/ngs/ngs.html 4/17/2014

[27] Oil and Gas iQ, Associated Gas, *available at* www.oilandgasiq.com/glossary/associated-gas/ (last accessed July 15, 2014)

Propane Price Spike and Shortage

The winter of 2013-2014 ranked as one of the top 10 coldest winters in the Midwest and the 9th coldest winter for Indiana.[28] As temperatures dropped, Indiana homeowners responded by turning up their thermostats to stay warm. Citizens Gas reported customers using 35%[29] more natural gas in January 2014 compared to January 2013. This winter was especially taxing on the approximate 500,000[30] Indiana homeowners who utilize propane, given propane prices significantly increased during the record cold winter months. According to the EIA, the price of a gallon of propane as of December 2, 2013 was $2.46; on February 3, 2014, it had jumped to $4.27.[31] This dramatic increase in price made the cost of refilling propane tanks unaffordable for some Hoosiers.

Variations in production, net imports, and storage levels = primary factors driving natural gas supply

The price spike in propane was the result of several contributing factors. For example, the spring of 2013 was colder than normal, causing people to continue heating their homes through April and May, when there is typically lower usage. This resulted in suppliers getting a slow start on refilling storage. In addition, propane inventories were already low going into the winter season due to Midwestern farmers utilizing more propane than usual to dry wetter-than-normal corn crops in the fall. Another factor, although debated, is the spike in propone exports. According to Midwest Energy News, "The U.S. is producing more propane than it did five years ago, but it is exporting much more, too."[32] Some believe that, if it were not for the export market, there would not have been the increase in propane production over the years. The final factor contributing to the rise in propane prices was demand from January through March. When demand is high and supply is low (especially during the colder months) it puts upward pressure on prices.

On January 3, 2014, Governor Pence issued a proclamation waiving the limit on the number of hours truck drivers were allowed to work while transporting propane.

---

[28] Winter of 2013 - 2014: Top-10 Coldest in Midwest; Warmest on Record in California (Dr. Jeff Masters' WunderBlog), available at http://www.wunderground.com/blog/JeffMasters/article.html?entrynum=2646

[29] Swiatek, J., & Sikich, C. (2014, January 30). Skyrocketing propane prices cause Indiana to take action. *The Indianapolis Star*. *Available at* http://www.indystar.com/story/news/2014/01/29/skyrocketing-propane-prices-cause-indiana-to-take-action-/5040321/

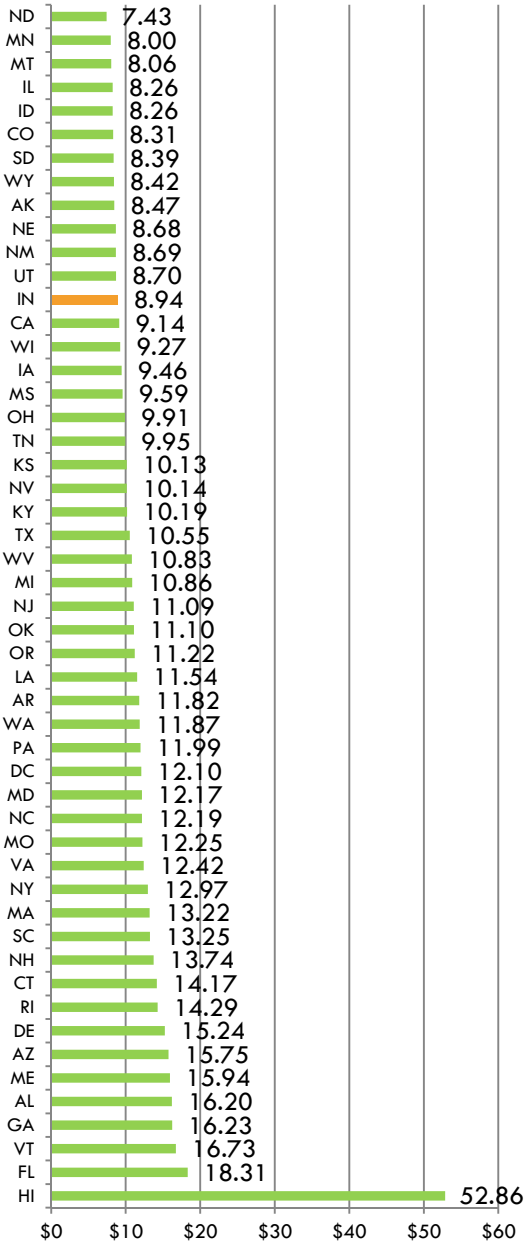
[30] Wildeman, M. (2014, January 29). Pence waives restrictions to alleviate propane shortages. *Indiana Daily Student*. *Available at* http://www.idsnews.com/article/2014/01/pence-waives-restrictions-to-alleviate-propane-shortages?id=96288

[31] U.S. EIA, Weekly Indiana Propane Residential Price, *available at* http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W_EPLLPA_PRS_SIN_DPG&f=W

[32] Haugen, D. (2014, January 30). No simple explanation for this winter's propane shortages. *Midwest Energy News*. *Available at* http://www.midwestenergynews.com/2014/01/30/no-simple-explanation-for-this-winters-propane-shortages/

At the federal and state levels, steps were taken to help alleviate the shortage. Several pipelines made FERC filings requesting to reverse pipeline flows to send additional supplies to the Kansas hub, where most of the Midwest receives its propane. The Texas hub also provided relief. On January 3, 2014, Governor Pence issued a proclamation waiving the limit on the number of hours truck drivers were allowed to work transporting propane to help the situation.[33] Additionally, some propane suppliers elected to limit the number of gallons customers could purchase in order to serve more customers.

Chart 3
2012 State Residential Gas Prices
($/thousand cubic ft)



Source: U.S. Energy Information Administration

Although not directly related to this crisis, the inclusion of an economic development component in SEA 560 from the 2013 legislative session includes the extension of natural gas service into rural areas. Homeowners using propane in rural areas may benefit from economic development projects to expand natural gas service. In IURC Cause No. 44403, NIPSCO indicated that a homeowner switching from propane to natural gas could save approximately $1,200[34] a year.

Pricing and Economics

How Indiana Compares

Over the last 10 years, Indiana has consistently performed well in comparison with other states for residential and commercial delivered (bundled) gas prices. Gas moves through the transmission system and enters the distribution system, where LDCs deliver gas to customers on either a bundled basis (i.e., commodity and transportation) or unbundled basis (i.e., the customer buys gas from a producer or marketer and pays the LDC to transport the gas from the city gate to the customer's facilities). Table 2 shows the state's average prices compared to the national averages for each customer class.

As shown in Chart 3, Indiana ranked 13th lowest nationally and 6th lowest in the Midwest region (i.e., Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin) for

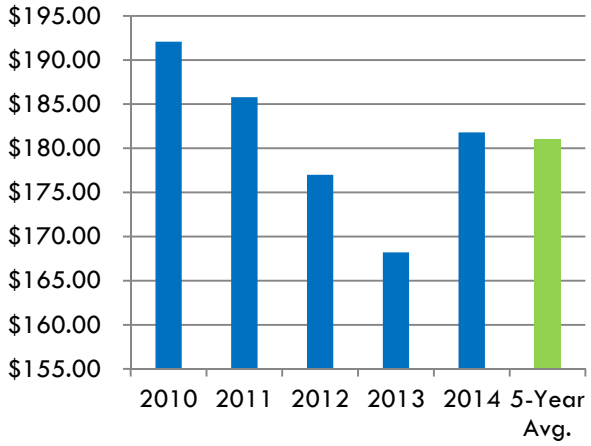
[33] See *Wildeman*.
[34] NIPSCO's Direct Testimony in Cause No. 44403, pg 18, Ln 17.

2012 average residential gas prices. The state average residential gas price decreased from $9.46 per thousand cubic feet in 2011 to $8.94 per thousand cubic feet in 2012. These numbers are higher than the commonly referenced commodity cost of approximately $2.75/Mcf[35], because they are bundled prices. Neighboring states' average residential retail rates per thousand cubic feet for 2012 are as follows: Illinois $8.26, Kentucky $10.19, Ohio $9.91, and Michigan $10.86.[36]

Table 2

Residential gas bill comparison

2010 to 2014



Indiana ranked 17th lowest nationally and 8th lowest in the Midwest for 2012 average commercial gas prices. Indiana's 2012 average commercial price was $7.68 per thousand cubic feet, which is lower than the 2011 average price of $8.04 per thousand cubic feet. Neighboring states' average commercial retail rates for 2012 were as follows: Illinois $7.77, Kentucky $8.28, Ohio $8.35, and Michigan $7.11 per thousand cubic feet.[37]

In 2012, Indiana average industrial gas prices decreased to $6.19 per thousand cubic feet price from $6.53 per thousand cubic feet. Neighboring states' average industrial retail rates for 2012 were as follows: Illinois $5.64, Kentucky $3.96, Ohio $5.48, and Michigan $7.38 per thousand cubic feet. The 2012 average industrial gas price is significantly lower than the $10.48 per thousand cubic feet in 2008. Until recently, the supply has overwhelmed any upticks in demand. However, demand is catching up with supply. Further, there have been several natural gas rate case orders approved by the Commission in the last few years.[38] In 2012, Indiana average industrial natural gas consumption totaled 344,678 million cubic feet, which is an increase from 326,573 million cubic feet of consumption in 2011. Prior to 2011, the last time Indiana's average industrial consumption exceeded 300,000 million cubic feet was in 1999 when the state consumed 311,704 million cubic feet.[39]

Bill Composition

Due to higher commodity costs, natural gas residential customers typically paid more in 2014. In 2013, a residential customer using 200 therms would have received a bill for $168.20. In 2014,

[35] US E.I.A., Natural Gas Spot Futures and Prices, *available at* www.eia.gov/dnav/ng/ng_pri_fut_s1_a.htm
[36] US E.I.A., Natural Gas Prices, *available at* www.eia.doe.gov/dnav/ng/ng_pri_sum_a_EPG0_PRS_DMcf_a.htm
[37] US E.I.A., Natural Gas Prices, *available at* www.eia.doe.gov/dnav/ng/ng_pri_sum_a_EPG0_PCS_DMcf_a.htm
[38] The IURC approved NIPSCO's current rates in Cause No. 43894 on November 4, 2010, and Citizens Gas' rates in Cause No. 43975 on August 31, 2011.
[39] US E.I.A., Indiana Natural Gas Industrial Consumption, *available at* www.eia.gov/dnav/ng/hist/n3035in2a.htm

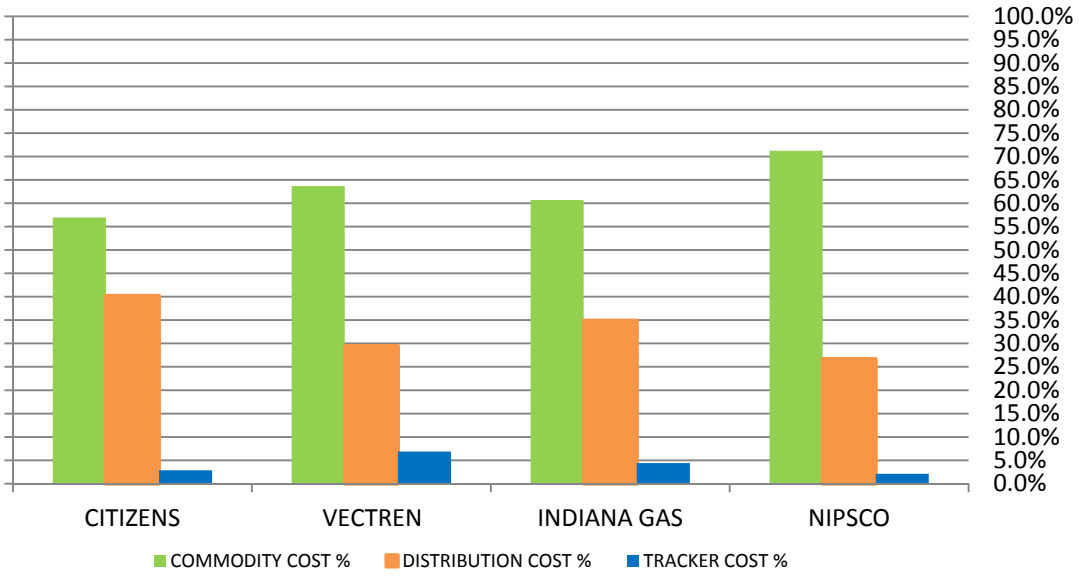
this bill would have increased to $181.80. As shown in Table 3, 2014 bills are comparable to the five-year industry average of $181.02.

The cost of the actual natural gas commodity accounts for a majority of a customer's bill. On average, gas usage (i.e., commodity cost) accounts for approximately 63%, while operating costs account for approximately 33%. All other trackers approved by the Commission account for less than 4% of a customer's monthly gas bill. The following table[40] demonstrates this cost analysis.

Utilities do not profit from the gas commodity portion of consumers' bills, because the GCA tracker involves a dollar-for-dollar pass-through of gas costs. The overall weighted cost of gas and a utility's purchasing practices are reviewed before approval by the Commission. For costs to be approved, each utility must demonstrate its purchases were prudent. This means utilities must make reasonable efforts to mitigate price volatility, which includes having a program that considers current and forecast market conditions and the price of natural gas. One way to achieve this is by having a diversified portfolio mix (i.e., a balance of purchases such as fixed, spot market, and storage gas).

Table 3

Breakdown of residential billing components for the four largest Indiana natural gas utilities



[40] January 2013 GCA flex filings

Adjustable Rate Mechanisms

When natural gas utilities incur costs beyond their control (e.g., federal regulations and market price volatility), they typically occur outside the context of a rate case. In order for natural gas utilities to recover these costs, state law allows them to petition the Commission for approval of an adjustable rate mechanism or tracker. A tracker assists in the timely recovery of costs, which improves the financial health of the utility. Before costs are passed on to customers, the OUCC reviews the underlying support for the requested rate adjustment and may provide evidence supporting or contesting the request in proceedings. The Commission also reviews the tracker and evidence before rendering a decision.

The following examples describe authorized trackers available to Indiana's utilities:

Gas Cost Adjustment (GCA) – Pursuant to statute, the GCA allows a gas utility to recover the commodity cost of gas not recovered through rates established in a rate case.[41] Most regulated natural gas utilities use this mechanism.[42]

Pipeline Safety Adjustment (PSA) – The PSA allows the gas utility to recover prudently incurred, incremental non-capital expenses necessary in order to meet the requirements of the Federal Pipeline Safety Improvement Act of 2002, which imposed many new requirements on pipeline operators. Three natural gas utilities use the PSA.

Energy Efficiency Funding Component (EEFC) & Sales Reconciliation Component (SRC) – The EEFC funds the promotion of energy efficiency, and the SRC allows recovery of expenses from residential and commercial ratepayers that would otherwise be lost due to reductions in revenue caused by energy efficiency programs. The four largest natural gas utilities[43] use one or a combination of these two adjustable rate mechanisms.

Normal Temperature Adjustment (NTA) – The NTA reduces the risk of a gas utility not recovering its approved margin due to warmer-than-normal temperatures and mitigates the possibility of over-earning due to colder-than-normal temperatures during the heating season. Sixteen natural gas utilities use the NTA.

Due to the extremely cold temperatures this winter, the NTA benefited consumers. With increased usage due to the cold, the NTA reduced bills. Since the NTA works to mitigate over/under margin recovery with weather variations, this winter's extreme conditions resulted in reductions.

---

[41] Ind. Code § 8-1-2-42(g)

[42] Snow & Ogden is the only regulated natural gas utility that does not utilize the GCA tracker. Snow & Ogden is a small natural gas utility that receives natural gas from wells it owns and operates within the state. Therefore, its gas costs are stable and are built into its base rates.

[43] NIPSCO, Vectren North, Vectren South, and Citizens Gas are the four largest natural gas LDCs in the state.

LIHEAP and USPs

The Low Income Home Energy Assistance Program (LIHEAP) is a federal program established in 1981 and funded annually by Congress. These federal dollars are released directly to states, territories, tribes, and the District of Columbia, who then use the funds to provide energy assistance to low-income households. In Indiana, the Indiana Housing and Community Development Authority receives federal funds and allocates the funds through sub-grants to non-profit community action agencies called CAP Agencies based upon the number of qualifying customers in their service area. The program is commonly referred to as the Energy Assistance Program (EAP). Customers apply to the CAP Agencies and undergo an income review to determine program eligibility. Under federal law, a household must have income below either 150% of the federal poverty level or 60% of state median income level, whichever is higher.

LIHEAP assistance can help a household avoid having its utilities shut off or can help a household reestablish service after a disruption. LIHEAP helps pay ongoing heating and cooling costs. In addition, LIHEAP helps some households by weatherizing their homes, thus making them more energy efficient.

LIHEAP assistance can help a household avoid having its utilities shut off or can help a household reestablish service after a disruption. LIHEAP helps pay ongoing heating and cooling costs. In addition, LIHEAP helps some households by weatherizing their homes, thus making them more energy efficient.[44] In 2013, Indiana received a $70,099,073 LIHEAP Block Grant allocation. In 2014, Indiana received a $65,345,813 LIHEAP Block Grant allocation.

Did You Know?

Governor Pence released $5 million in additional LIHEAP money this past winter due to the increased needs of Hoosiers.

Citizens Gas, NIPSCO, and Vectren North and South have implemented Universal Service Programs (USP) through an Alternative Regulatory Plan filing. The USP was originally approved by the Commission's Order in IURC Cause No. 42590 (Citizens and Vectren North and South) on August 18, 2004 and IURC Cause No. 42722 (NIPSCO) on December 15, 2004. The USP has been renewed several times. Its purpose is to provide a mechanism for gas utilities to collect money via the Universal Service Fund (USF) Rider and match a portion of the funds collected with utility shareholder funds through a charitable program. The funds are used to discount bills for low income residential gas customers who meet the LIHEAP income criteria. It can also be used as a crisis hardship fund and can assist in bringing a customer's account out of delinquent status for reconnection so they may become eligible to receive LIHEAP funds. Recent renewal requests[45] have expanded the income requirements of the USP to include low-income customers who are not eligible for LIHEAP and allowed a portion of utilities' shareholder

[44] US Department of Health & Human Services, *LIHEAP Fact Sheet on the FY 2013 Allocations under Current Continuing Resolution, available at* http://www.acf.hhs.gov/programs/ocs/resource/low-income-home-energy-assistance-program-provides-help-for-struggling

[45] Consolidated IURC Cause Nos. 43077 & 43078 (Order issues on November 7, 2007), IURC Cause No. 43669 (Order issued on November 19, 2009), and IURC Cause No. 44094 (Order issued on December 7, 2011)

contributions to pay administrative costs for CAP agencies so they can continue qualifying LIHEAP applicants.

Considerable uncertainty plagues the LIHEAP program from year to year as the allocation and release of funds is subject to Congressional approval. There is often a delay in disbursement to the states which affects the CAP agencies. USP funds are very useful for low-income families when the LIHEAP funds are delayed. IURC Cause No. 44094 most recently renewed the USP for Citizens Gas, NIPSCO, and Vectren North and South through September 30, 2014. Vectren North and South filed IURC Cause No. 44455 on February 10, 2014 seeking renewal through September 30, 2020 as well as an increase in the USF Rider cap for residential customers. This case is pending an order.

Citizens Energy Group Billing Investigation (IURC Cause No. 44462)

On March 19, 2014, the Commission opened a formal investigation in IURC Cause No. 44462 of Citizens Energy Group and CWA Authority, Inc. (Citizens) regarding, but not limited to, billing practices and compliance with approved rules and regulations. The Commission initiated this proceeding as a result of a 30-day filing[46] review from Citizens, which proposed to alter the Terms and Conditions portion of its Tariff concerning the application of payment for utility and non-utility charges for natural gas, water, and wastewater services. Additionally, the IURC's Consumer Affairs Division continues to document a high volume of customer complaints regarding Citizens' customer service and billing practices. The combination of the previously described issues, and concern regarding Citizens' use of LIHEAP funds as payment for charges unrelated to natural gas service, led the IURC's General Counsel to request an investigation. The Commission will hold a series of technical conferences and expects to complete the investigation by year's end.

Modernization and Efficiency

Energy Efficiency

As of the printing of this report, four large natural gas LDCs offer energy efficiency programs in Indiana. Eight additional small gas utilities have received approval to implement energy efficiency programs similar to those being offered by Vectren, contingent upon the authorization of new rates. Seven have successfully completed rate cases, and one[47] rate case was approved on July 30, 2014. Indiana gas and electric utilities had been working together via an energy efficiency program administrator to provide joint program offerings to Hoosier ratepayers, but the partnership is on hold as a result of legislation passed in the 2014 Session pausing electric energy efficiency programs.

[46] The 30-day filing was filed on December 19, 2013 and withdrawn after Citizens staff met with the IURC on February 9, 2014 and subsequently answered a series of questions resulting from the filing and the meeting.
[47] Indiana Natural Gas Corp. in IURC Cause No. 44453

Conservation Connection by Vectren

In IURC Cause No. 44019, the Commission approved a settlement agreement reached between the OUCC and Vectren to extend Vectren North and Vectren South's energy efficiency programs, known as "Conservation Connection." Vectren's Conservation Connection offers residential and small business natural gas customers energy-saving opportunities in the form of appliance rebates, custom programs for businesses, and online tools to perform energy audits and bill analysis. In 2013, Vectren reported over 2.4 million net therms saved through Conservation Connection programs.

Citizens Energy Savers by Citizens Gas

On April 10, 2013, the Commission approved Citizens Gas's request for program extension under IURC Cause No. 44124. Citizens Energy Savers provides a comprehensive set of tools to help conserve energy, including cash rebates toward the purchase of high efficiency natural gas appliances. In 2013, the energy efficiency programs of Citizens Gas and Citizens Gas of Westfield reportedly achieved savings of over 779 thousand net therms.

Save Energy Program by NIPSCO

On December 28, 2011, the Commission approved the expansion of NIPSCO's natural gas energy efficiency program. The program continues to offer a cash rebate for residential customers who invest in specified energy efficient equipment. Commercial and industrial customers also have access to additional incentives. In 2013, NIPSCO energy efficiency programs reportedly saved over 3 million net therms.

Know What's Below

Pipeline safety regulations dictate minimum depth requirements for different types of pipeline at the time of installation. However, due to factors outside of the companies' control (such as erosion, settling and grading), there is no guarantee that the pipelines will continue to maintain their original installed depth.

Depth Study

In 2009, the General Assembly mandated a report for best practices concerning the vertical location of underground facilities for purposes of Ind. Code 8-1-26. This section of the report addresses legislative intent, specifically looking at the viability and economic feasibility of technologies used to locate underground facilities.

In March 2011, the Common Ground Alliance (CGA), a national member-driven association dedicated to public and environmental safety and the prevention of damage to underground facilities, completed a study sponsored by the U.S. DOT. This study identified the best practices regarding damage prevention. Generally, the CGA recommends hand digging or soft digging within a 24-inch tolerance on all sides of underground facilities as the safest practice. Vacuum digging (the use of high-pressure water or air that breaks up the soil) accompanied by a

powerful vacuum that removes the loosened soil, is also an acceptable alternative identified by CGA.[48]

The CGA, equipment manufacturers, and the IURC's Pipeline Safety Division all strongly recommend hand-digging, air cutting, or vacuum excavation to expose underground pipe for visual verification. As these are the safest means to accurately determine the true depth and location of underground facilities. Further, these methods comply with Ind. Code 8-1-26. Also, the Pipeline Safety Division recommends that all operators of locator equipment be certified by an accredited organization, thus ensuring that only qualified individuals are allowed to perform this important service which protects underground facilities and Hoosiers working around them.

New technologies are being explored to address problems associated with difficult to locate gas lines as well as in determining the depth of such lines. One new technology is currently under development which uses polyethylene pipe (PE) – typically utilized in distribution systems – and a metallic tracer wire. This new technology excites the gas molecules in order to provide facility location and assists facility locates if the tracer wire becomes broken or non-existent. Presently, one intrastate gas distribution company is experimenting with this equipment.

While challenges continue to exist, continued advances in technology may eventually lead to a solution to this problem. The Pipeline Safety Division believes however, that providing pipeline depth information to those performing excavation activities could result in unintended consequences such as the over-reliance on pipeline depth information and the use of mechanical equipment within specified tolerance zones where hand digging would be a safer alternative.

The Pipeline Safety Division, to date, believes that providing excavators a linear elevation of facilities is not recommended. Given this subject has continued to be discussed, the General Assembly urged under SEA 405 for the legislative council to assign to an interim or a statutory study committee during the 2014 legislative interim the topic of the technology (both technology that is currently available and technology that is under development) used to determine the elevation or depth, or both, of underground facilities that are subject to Ind. Code 8-1-26.

[48] Common Ground Alliance, Common Ground Study, *available at* www.commongroundalliance.com/Content/NavigationMenu/Best_Practices/Common_Ground_Study/Common_Ground_Study.htm

Regulatory Initiatives

State Initiatives

Senate Enrolled Act 405

Senate Enrolled Act 405 (SEA 405) changed various sections of Indiana Code related to underground utility facilities.

SEA 405 states a locate request for demolition and excavation activities expires 20 days after the date the request is submitted to Indiana 811. If the area requires further excavation/demolition, the excavator must renew the request prior to the expiration of the previous request in order to continue excavation or cease work until a new request takes effect. It also includes language that requires an operator (utility) to notify the excavator providing notice of work if they are unable to locate and mark their facilities in time, provide additional information, and provide onsite assistance if requested.

On June 12, 2012, Rieth-Riley Construction Company, Inc. (Rieth-Riley) damaged a natural gas underground pipeline while excavating with mechanized equipment through concrete. The IURC's Pipeline Safety Division found this a violation of Ind. Code § 8-1-26-20(a)(2) (as the law was written at the time.) The law required a clearance of "less than two (2) feet on either side of the outer limits" between the marked pipeline and the cutting edge of the mechanized equipment.

Rieth-Riley requested a public hearing to appeal the violation finding, arguing that it was impossible to excavate through concrete to expose the pipeline below without using mechanized equipment. The case was docketed as IURC Cause No. 44275. The Pipeline Safety Division intervened and staff testified that while they did not believe Rieth-Riley's excavation method was proper, they agreed that it appeared impossible to follow the law and still expose a gas pipeline that was beneath concrete. The Commission tacitly agreed, stating, "While we are sympathetic to the challenges Rieth-Riley faces in removing pavement around underground facilities, those difficulties do not change Rieth-Riley's legal obligation to avoid damaging underground facilities. Thus, we uphold the Advisory Committee's recommendation of a warning letter. Based upon the facts presented in this Cause, we fully expect the parties will contact the Indiana Legislature and seek to address the issues raised in this Cause concerning the ability to comply with the requirements of Ind. Code § 8-I-26-20(a)(2) as it concerns breaking up and removing pavement."

Rieth-Riley appealed to the Indiana Court of Appeals, but moved to dismiss the case as a result of SEA 405, "resulting in a meaningful change to Indiana's laws governing how Rieth-Riley and

other similarly-situated contractors perform such work [as excavating through concrete]."[49] The Court granted Rieth-Riley's Motion to Dismiss the appeal. The law now permits this type of mechanized excavation as long as the excavator (1) plans the excavation to avoid damage to or minimize interference with underground facilities, (2) takes into account the known limits of control of the equipment's cutting edge, and (3) uses the equipment only to the depth necessary to remove the pavement.

House Enrolled Act 1324

Encouraging investment in alternative fuels is a priority for Indiana. Starting in 2014, Hoosiers could take advantage of a three-year income tax credit for natural gas powered vehicles weighing more than 33,000 pounds. Signed into law on May 11, 2013, House Enrolled Act 1324 grants a $15,000 tax credit for each vehicle placed into service during the tax year, capped at $150,000 per person per tax year. Natural gas vehicles can refuel using butane, propane, or liquid or compressed natural gas and still qualify for the credit. Additionally, the motor carrier fuel tax and the state sales tax will apply to motor fuels for these vehicles. The U.S. Department of Energy's Alternative Fuels Data Center website contains helpful information for natural gas vehicle users. One great tool is the plan your trip function, which allows users to view refueling stations along a planned route.

Indiana Natural Gas Refueling Stations		
Fuel Type	**Public**	**Private**
CNG	14	8
LNG	1	0
Propane	60	115
Source: www.afdc.energy.gov/states/IN		

Interest in natural gas vehicles continues to grow in Indiana. Over the past year, six more compressed natural gas (CNG) stations opened and the first LNG station opened in Sellersbug, Indiana. Additionally, Citizens Gas continues to sell LNG to fuel heavy trucks, through its subsidiary Kinetrex, using its 86th Street and Georgetown LNG storage facility in the process. Depending on market conditions, Kinetrex is considering converting another LNG storage facility into a fueling station as well as in other potential locations.

Senate Enrolled Act 560

In addition to establishing a 300-day timeline for rate cases, Senate Enrolled Act 560 (SEA 560) also provided new incentives for utility companies and businesses. In order to encourage investment in transmission and distribution systems, the legislature created a new tracker called the transmission, distribution, and storage system improvement charge (TDSIC), which covers projects related to safety, reliability, system modernization, economic development, and the extension of natural gas service to rural areas. Recovery through the TDSIC tracker is limited to an average aggregate increase of less than 2% a year in the utility's total retail revenues.

[49]Unapposed Motion of Rieth-Riley, Ind. Ct of Appeals Case No. 93A02-13-12-EX-1047 (Apr. 7, 2014).

Traditionally, these costs would have been included in rates for recovery at a base rate case. However, utilities can now petition for recovery on a more regular basis. But before project or improvement costs can be passed through to consumers, the utility must submit a seven-year plan to the Commission for review and approval. There is then opportunity for hearing and public comment. Upon receiving approval from the Commission, the utility may then petition for recovery of actual expenditures through a biannual tracker filing. Not all costs may be recovered though; 80% of capital expenditures may be recovered through the tracker, whereas 20% must be deferred until the utility's next rate case. To ensure that faster recovery does not lead to less general rate oversight, the legislature required any utility using TDSIC to come in for a base rate case within that seven-year timeframe.

To aid businesses from an economic development standpoint, the legislature also approved incentives for build out. For example, under the TDSIC, a natural gas utility may petition the Commission for approval of a targeted economic development project in an expedited manner. Whereas there may have been costly fees or payments imposed upon a developer in order to bring natural gas service to a rural area, there is now a 20-year payback period. This means that the utility can build out its infrastructure with the assurance of recovery. Also, businesses that may have otherwise had to rely on other fuel sources (i.e., propane) now have another option with a more manageable initial investment. SEA 560 also allows persons investing in utility infrastructure to receive a tax exemption on the property, as long as it is in an "infrastructure development zone" as designated by a county executive. This provides for increased availability of natural gas service in otherwise undeveloped areas. Additionally, the associated economic benefits includes eligible gas infrastructure for storage, CNG, LNG, transmission, and distribution facilities.

As of spring 2014, NIPSCO, Vectren North, and Vectren South have filed for cost recovery under the TSDIC statute (SEA 560). NIPSCO filed under IURC Cause No. 44403 on October 3, 2013, in which it is seeking approximately $720 million in investment recovery. However, NIPSCO is only seeking approval of its plan and will file a separate request for its actual recovery mechanism. NIPSCO requested recovery under the TDSIC law, and not the federal mandate statute. This case is now closed.

Vectren South and North filed under IURC Cause Nos. 44429 and 44430 on November 25, 2013. Vectren is seeking approval of both its plan and its cost recovery mechanism. Vectren North is requesting recovery of approximately $650 million in investment recovery under the federal mandate and TDSIC statutes. Unlike NIPSCO, Vectren South is requesting recovery of approximately $217 million under both the federal mandate and TDSIC statue.

Federal Initiatives

Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011

The Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011, which was signed into law by the President on January 3, 2012, created a number of new pipeline safety requirements that will significantly impact Indiana's pipeline operators, as well as the IURC's pipeline safety program. These new regulatory requirements directly address several pipeline safety risks identified from the San Bruno, California incident in 2010.

New requirements included increasing civil penalties from $100,000 per day/ $1 million per related series of violations to $200,000 per day/ $2 million per related series of violations. Additionally, the law requires the U.S. DOT to evaluate whether integrity management programs should be expanded beyond high-consequence areas (HCAs) and whether applying integrity management program requirements to additional areas would mitigate the need for class location requirements.[50] If the U.S. DOT deems it appropriate, it may issue regulations expanding integrity management programs and/or replacing class locations. The law also aims to improve public awareness by requiring the U.S. DOT to maintain a map of designated HCA areas and to develop and an outreach program for the National Pipeline Mapping System (NPMS) targeted at state and local emergency responders.

The Pipeline Safety, Regulatory Certainty, and Job Creation Act creates a number of new pipeline safety requirements that will have a significant impact on Indiana's pipeline operators, as well as the IURC's pipeline safety program. New requirements include increasing civil penalties from $100,000 per day/ $1 million per related series of violations to $200,000 per day/ $2 million per related series of violations.

In addition to the public safety requirements, the law mandates the U.S. DOT to require operators/owners to verify records related to interstate and intrastate gas transmission pipelines in certain areas. It also requires operators/owners to identify and submit to the U.S. DOT documentation related to segments for which the records are insufficient to confirm the established maximum allowable operating pressure. In order to maintain its compliance with federal-state program certification requirements, review and inspection procedures for each of these new pipeline safety requirements must be developed and incorporated into the IURC's pipeline safety division's overall safety program.

Disparity in Federal and State Civil Penalties

In order for the Commission to continue to receive all available funding for its pipeline safety program through the federal base grant program, the state must adopt a civil penalty schedule for violations of pipeline safety regulations by pipeline operators that at least matches the federal civil penalty schedule.

[50] 49 C.F.R. §192.5

Currently, Indiana provides for civil penalties not to exceed $25,000 for each violation for each day the violation persists up to a maximum of $1,000,000 for any related series of violations.[51] Senate Bill 303 authored by Senator Jim Merritt was introduced this year to increase the amount of civil penalty for violations of pipeline safety laws from $25,000 per violation per day to $200,000 per violation per day and to increase the maximum penalty for any related series of violations from $1,000,000 to $2,000,000. Although the bill only made it to First Reading before the Senate Utilities Committee, its introduction did call attention to the seriousness of pipeline violations and their potentially devastating impact to life and property.

Shale Gas Production Concerns

Recently, consumer and environmental groups have raised concerns about the production of shale gas. Well fracturing is water intensive and may affect availability of water for other uses, as well as impacting aquatic habitats. Additionally, the wastewater produced by hydraulic fracturing (fracking) can contain potentially hazardous chemicals. It is important to prevent contamination of surrounding areas and find safe methods of treatment and disposal of wastewater. Some states where drilling has occurred have reported concerns with air pollution and contaminated drinking wells. As a result, the federal government launched a review of hydraulic fracturing. The U.S. EPA expects to release its initial findings on the environmental impacts of fracking in late 2014.[52]

The U.S. EPA expects to release its initial findings on the environmental impacts of fracking in late 2014, which should provide more insight on possible future regulation of this industry.

To address this issue, federal and state legislation has recently been filed. For example, Bringing Reductions to Energy's Airborne Toxic Health Effects Act (the BREATHE Act[53]) and Focused Reduction of Effluence and Stormwater runoff through Hydrofracking Environmental Regulation Act of 2013 (the FRESHER Act[54]) were introduced by Congress in 2013 and are aimed at removing oil and gas industry exemptions from the Clean Air Act and the Clean Water Act.[55] In Indiana, the Department of Natural Resources[56] permits fracking, and operators are required to disclose the chemicals used in the process. Of the 201 Indiana wells completed in 2012, only 22 were fracked.[57]

While it appears the industry is making strides to enhance transparency through disclosure, some remain skeptical. The results of the U.S. EPA study should provide the industry and the public with a better understanding of its view of fracking and the environmental impacts. If new federal

---

[51] Ind. Code 8-1-22.5-7(a)
[52] US E.P.A., Natural Gas Extraction – Hydraulic Fracturing, *available at* http://water.epa.gov/type/groundwater/uic/class2/hydraulicfracturing/index.cfm
[53] H.R. 1154, 113th Congress
[54] H.R.1175, 113th Congress
[55] NPR, *Federal Legislation Aims to Close "Fracking Loopholes," available at* http://stateimpact.npr.org/pennsylvania/2013/03/14/federal-legislation-aims-to-close-fracking-loopholes/
[56] Division of Oil and Gas
[57] www.in.gov/dnr/dnroil/5715.htm "Annual Well Completions and Hydraulic Fracturing Data 2005 to 2012"

regulations are imposed or if restrictive legislation is passed regarding drilling techniques and practices, the price of natural gas could increase.

LNG Exports

The U.S. has become glutted with natural gas due to the fracking of shale formations. Thus, the U.S. is shifting from an importer to an exporter of LNG. In 2013, U.S. natural gas prices were approximately $4/Dth and the international price for natural gas was approximately $10 to $16/Dth.[58] The price discrepancy between the U.S. market and the international market creates an opportunity for natural gas producers to increase profits by exporting LNG. The lack of exporting facilities and federal regulation on exporting LNG has prevented natural gas producers from becoming LNG exporters.

Pursuant to the Natural Gas Act of 1938, authorization is required from the Department of Energy (DOE) for companies seeking to export LNG to a foreign country. There are two types of approval, FTA (Free Trade Agreements) and non-FTA approval. FTA approval is the authorization to export LNG to countries that the United States has a free trade agreement and non-FTA is the authorization to export LNG to countries that do not have free trade agreements with the United States. FTA applications receive the quickest approval from the DOE. Non-FTA applications receive more scrutiny and take longer to approve, as these types of applications must be deemed in the public's interest. The DOE has approved seven[59] FTA and non-FTA applications to export 12.87[60] Bcf/d and has 24[61] non-FTA applications pending.

---

[58] Forbes, *LNG Exports Would Have Minimal Impact on U.S. Prices: Deloitte, available at* http://www.forbes.com/sites/jeffmcmahon/2013/04/17/lng-exports-would-have-minimal-impact-on-u-s-prices-deloitte/

[59] Natural Gas Intel, *Jordan Cove is DOE's Seventh Non-FTA LNG Export OK, available at* http://www.naturalgasintel.com/articles/97810-jordan-cove-is-does-seventh-non-fta-lng-export-ok (last accessed July 15, 2014)

[60] Id.

[61] Center for Liquefied Natural Gas, CLNG Welcomes Jordan Cove Energy Project Non-FTA LNG Export Approval, http://www.lngfacts.org/recent-news/clng-welcomes-jordan-cove-energy-project-non-fta-lng-export-approval/, (last accessed July 15, 2014).

Appendices

Appendix A – Revenues of Jurisdictional Natural Gas Utilities

Operating Revenues for Year Ending December 31, 2013

Rank	Utility Name	Operating Revenues	% of Total Revenues
1	Northern Indiana Public Service Company	695,647,133	39.62%
2	Vectren North	577,617,480	32.89%
3	Citizens Gas (Municipal)	286,679,330	16.33%
4	Vectren South	96,988,926	5.52%
5	Ohio Valley Gas Corporation	30,924,211	1.76%
6	Midwest Natural Gas Corporation	15,014,499	0.86%
7	Sycamore Gas Company (f/k/a Lawrenceburg Gas Co.)	10,106,849	0.58%
8	Indiana Natural Gas Corp.	7,865,107	0.45%
9	Community Natural Gas Co., Inc.	6,739,421	0.38%
10	Ohio Valley Gas, Inc.	5,014,588	0.29%
11	Boonville Natural Gas Corporation	4,878,822	0.28%
12	Indiana Utilities Corporation	4,406,306	0.25%
13	Citizens Gas of Westfield	4,206,554	0.24%
14	Fountaintown Gas Co., Inc.	4,078,109	0.23%
15	Aurora Municipal Gas (Municipal)	2,298,988	0.13%
16	South Eastern Indiana Natural Gas Company, Inc.	1,778,602	0.10%
17	Switzerland County Natural Gas Co., Inc.	1,323,764	0.08%
18	Valley Rural Utility (Not for profit)	359,419	0.02%
19	Snow & Ogden	17,688[62]	0.00%
	Total Revenue	***1,755,945,796***	***100.00%***

[62] Revenues from Fee Billing section of ECMS

Appendix B – Jurisdiction over Natural Gas Utilities

Investor-Owned Utilities under the IURC's Jurisdiction	
Boonville Natural Gas Corporation	Ohio Valley Gas Corporation
Community Natural Gas Company, Inc.	Ohio Valley Gas, Inc.
Citizens Gas of Westfield	Snow and Ogden Gas Company, Inc.
Fountaintown Gas Company, Inc.	South Eastern Indiana Natural Gas Company, Inc.
Indiana Natural Gas Corporation	Switzerland County Natural Gas Company
Indiana Utilities Corporation	Sycamore Gas Company
Midwest Natural Gas Corporation	Vectren North
Northern Indiana Public Service Company	Vectren South

Not-for-Profit Utilities under the IURC's Jurisdiction
Valley Rural Utility Company

Municipal Utilities under the IURC's Jurisdiction	
Aurora	Citizens Gas (for regulatory purposes only)

Municipal Utilities Withdrawn from the IURC's Jurisdiction (Ind. Code § 8-1.5-3-9)		
Bainbridge	Jasper	Osgood
Batesville	Lapel	Pittsboro
Chrisney	Linton	Poseyville
Grandview	Montezuma	Rensselaer
Huntingburg	Napoleon	Roachdale
Jasonville	New Harmony	

Appendix C – Residential Natural Gas Bill Survey

Comparison by Therm Usage (January 1, 2014)

← Consumption →

Utilities	Ownership	Last Rate Case	Order Date	150 Therms	200 Therms	250 Therms
Aurora Municipal Gas	MUN	43527	1/30/09	$129.86	$171.99	$214.11
Boonville Natural Gas	IOU	44129	11/7/12	$156.05	$201.11	$246.17
Citizens Gas	MUN	43975	8/31/11	$134.73	$174.14	$213.55
Citizens Gas of Westfield	IOU	43624	3/10/10	$163.76	$209.83	$255.90
Community Natural Gas	IOU	44298	7/31/13	$136.91	$174.55	$212.19
Fountaintown Gas	IOU	44292	5/15/13	$137.30	$177.18	$217.06
Indiana Gas Company (Vectren North)	IOU	43298	2/13/08	$127.34	$164.85	$202.36
Indiana Natural Gas	IOU	43434	10/8/08	$129.46	$168.19	$206.92
Indiana Utilities	IOU	44062	9/5/12	$157.30	$202.75	$248.20
Midwest Natural Gas	IOU	44063	11/7/12	$135.08	$173.01	$210.95
Northern Indiana Public Service Co. (NIPSCO)	IOU	43941	7/1/11	$109.16	$141.88	$174.61
Ohio Valley Gas Corp. (ANR)	IOU	44147	11/28/12	$150.33	$195.60	$240.88
Ohio Valley Gas Corp. (TXG)	IOU	44147	11/28/12	$162.55	$211.90	$261.25
Ohio Valley Gas, Inc.	IOU	44147	11/28/12	$159.88	$208.34	$256.80
Snow & Ogden Gas	IOU	42821-U	11/22/05	$109.19	$145.49	$181.79
South Eastern Indiana Natural Gas Co.	IOU	44128	11/7/12	$146.80	$189.31	$231.82
Southern Indiana Gas and Electric Co. (Vectren South)	IOU	43112	8/1/07	$122.26	$158.76	$195.25
Switzerland County Natural Gas	IOU	44293	1/9/13	$136.12	$175.97	$215.81
Sycamore Gas Company	IOU	43090	6/20/07	$152.87	$194.80	$236.73
Valley Rural Utility Company	NFP	42115	5/8/02	$150.72	$196.42	$242.12
Industry Average				***$140.38***	***$181.80***	***$223.22***

Note: Drawing conclusions about a utility's performance based on this chart is not recommended. Many factors must be considered when analyzing performance such as utility size and resources, period from the last rate case, storage options, geographic location, base rates, customer density, and gas cost adjustment at the time of the bill calculations. Rates do not include normal temperature adjustment (NTA).
For purposes of this comparison: 100 Therms = 100 Ccf = 10 Dth = 10 Mcf

Appendix D – Residential Natural Gas 5-Year Bill Comparison

5-Year Bill Comparison at 200 Therms (January 1, 2014)

Utilities	5-Year Avg.	2014	2013	2012	2011	2010
Aurora Municipal Gas	$176.96	$171.99	$173.04	$177.68	$172.72	$189.37
Boonville Natural Gas	$224.82	$201.11	$162.11	$199.23	$262.49	$299.18
Citizens Gas	$175.79	$174.14	$163.20	$173.86	$178.20	$189.56
Citizens Gas of Westfield	$200.37	$209.83	$202.01	$207.23	$200.61	$182.19
Community Natural Gas	$155.39	$174.55	$143.90	$146.91	$160.73	$150.84
Fountaintown Gas	$176.36	$177.18	$164.40	$183.99	$189.88	$166.37
Indiana Gas Company (Vectren North)	$164.26	$164.85	$152.58	$161.55	$166.67	$175.67
Indiana Natural Gas	$176.81	$168.19	$161.48	$171.17	$183.17	$200.03
Indiana Utilities	$244.42	$202.75	$207.43	$218.64	$269.00	$324.29
Kokomo Gas and Fuel *	$163.78	n/a	n/a	n/a	$156.46	$171.10
Midwest Natural Gas	$176.31	$173.01	$163.35	$160.57	$181.67	$202.95
Northern Indiana Fuel & Light (NIFL)*	$145.10	n/a	n/a	n/a	$151.94	$138.25
Northern Indiana Public Service Co. (NIPSCO)*	$126.78	$141.88	$131.90	$135.74	$150.89	**73.48
Ohio Valley Gas Corp. (ANR)	$193.95	$195.60	$185.94	$189.28	$200.50	$198.44
Ohio Valley Gas Corp. (TXG)	$209.52	$211.90	$195.94	$202.34	$221.02	$216.40
Ohio Valley Gas, Inc.	$181.56	$208.34	$158.76	$169.98	$194.02	$176.72
Snow & Ogden Gas	$145.49	$145.49	$145.49	$145.49	$145.49	$145.49
South Eastern Indiana Natural Gas Co.	$175.84	$189.31	$163.90	$170.56	$179.08	$176.35
Southern Indiana Gas and Electric Co. (Vectren South)	$154.08	$158.76	$136.12	$148.39	$153.56	$173.57
Switzerland County Natural Gas	$163.99	$175.97	$136.75	$171.08	$171.53	$164.60
Sycamore Gas Company	$198.72	$194.80	$193.22	$200.36	$193.22	$211.98
Valley Rural Utility Company	$226.54	$196.42	$222.44	$210.64	$204.26	$298.94
Industry Average	***$181.02***	***$181.80***	***$168.20***	***$177.23***	***$185.78***	***$192.08***

(*)NIFL and Kokomo officially merged operations with NIPSCO on May 31, 2011 in Cause Nos. 43941, 43942, and 43943.
(**) NIPSCO refunded dollars to consumers due to a change in its GCA filing frequency and regulatory authorized refunds that resulted in a lower overall billable amount.
Note: For purposes of this comparison: 100 Therms = 100 Ccf = 10 Dth = 10 Mcf.
Drawing conclusions about a utility's performance based on this chart is not recommended. Many factors must be considered when analyzing performance such as utility size and resources, period from the last rate case, storage options, geographic location, base rates, customer density, and gas cost adjustment at the time of the bill calculations.
Rates do not include normal temperature adjustment (NTA).

Communications Report

Executive Summary

This section of the Annual Report discusses key issues facing the communications industry, both in Indiana and at the federal level. The Commission continues to engage at the federal level and has voiced concern regarding changes to universal service programs, intercarrier compensation, rural broadband availability, and economics. The Communications Report highlights actions taken by the Commission to implement legislation passed by the General Assembly and explains how Commission policies such as area code relief, numbering, and the certification of prepaid wireless ETCs affect the economy of the state.

Universal Service

Universal service has been a key factor in the rapid development of today's telecommunications network. While originally focused on ensuring access to telephone service, the Federal Communications Commission (FCC) recently developed a National Broadband Plan to help connect Americans to the Internet. As a result of this new focus, resources previously designated for telephone service through the Lifeline/Link-Up programs will be reallocated to support broadband development.

As the FCC considered the reform of its Universal Service Fund, it also looked at its intercarrier compensation policy. The FCC has ordered several changes to the system, including eliminating access charges paid for completing long-distance calls. Because a significant percentage of smaller rural carriers' revenue is directly tied to access charges, high-cost federal, and Indiana Universal Service Fund revenues (in some cases as high as 60%), the proposed changes may put the carriers at risk of defaulting on loans, undergoing reorganization, or filing bankruptcy. Therefore, these developments have the potential to negatively impact Indiana's carriers and economy.

Combating Fraud, Waste, and Abuse

Prompted by reports and findings of fraud and abuse, primarily regarding prepaid wireless carriers, the Commission is taking a closer look at eligible telecommunications carriers' methods of obtaining and certifying customers for eligibility to receive free or subsidized phone service from the Lifeline program. Red flags, such as unusually rapid growth in Lifeline subscribers and federal investigations, have led the Commission to develop additional filing requirements for providers wanting to participate in the program. The Commission has also completed an investigation on one Indiana provider to determine if it is complying with federal and state laws.

Area Code Relief

Forecasting reports from the North American Numbering Plan Administrator (NANPA) indicate that area code 812, serving southern Indiana, has the shortest remaining life of all the Indiana area codes. It is projected to exhaust in the second quarter of 2015. To address this problem, the Indiana Telecommunications Industry Group filed a petition for relief on August 3, 2012 in IURC Cause No. 44233 and its Order was issued on July 31, 2014. The Order indicated that the overlay method as the chosen method for relief for the 812 area, meaning that the 812 and the new area code, 930, would both serve the same geographic area.

On August 6, 2014, the Commission ordered that seven-digit dialing for the 812 area code remain in effect until otherwise ordered. This change came about after the Commission became aware of concerns regarding the ability of critical segments of the business community and telecommunications providers to prepare for the switch to mandatory ten-digit dialing, specifically those serving the medical and law enforcement industry.

In addition, the projected exhaust date of area code 317, which serves the Indianapolis area, is not far behind, with a projected exhaustion date coming in 2017. However, no other Indiana area codes are expected to require major changes in the near future.

Rate Case Timelines & Infrastructure Incentives

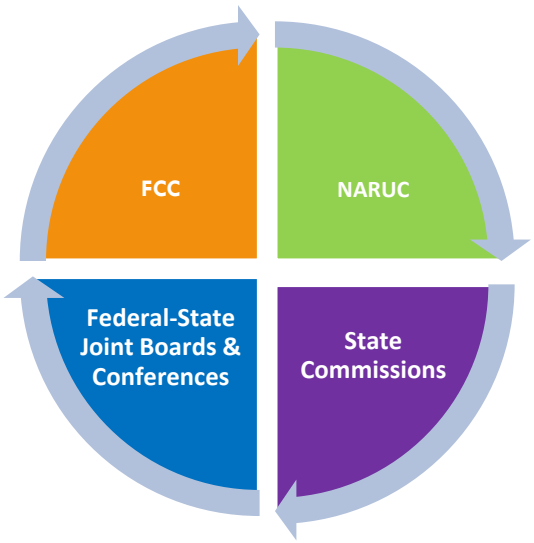
In addition to establishing a 300-day timeline for electric, natural gas, water, and wastewater rate cases (as discussed in the introduction), Senate Enrolled Act 560 (SEA 560) also provided new incentives for utility companies and businesses. While targeted largely at the energy sector, there were also provisions that affected the communications industry. For example, SEA 560 allows persons investing in utility infrastructure to receive a tax exemption on the property, as long as it is in an "infrastructure development zone" as designated by a county executive. This is to encourage the buildout of broadband to unserved areas of the state.

Overview

Regulatory Structure

In order to ensure the state's interests and rights are protected, the IURC's Communications Division monitors regulatory proceedings and policy initiatives at the federal, state, and local levels, to determine the impact of those policies and whether comments should be filed in those proceedings. Additionally, the division implements universal service programs and provide recommendations on matters such as applications for certificates of territorial authority (CTAs) for communications service providers (CSPs) and franchises for video service providers.

All CSPs must have a valid CTA in order to offer service in Indiana. Providers must receive authorization for three categories of services: telecommunications services, information services, and video services. Providers of video service must also hold a video service franchise from the IURC, the sole video franchise authority in Indiana. Additionally, the Commission designates all eligible telecommunications carriers (ETCs) in the state, which enables the carriers to obtain support from the federal Universal Service Fund. The Commission has no jurisdiction over the approval of rates and charges of CSPs, with the exception of intrastate access rates. Therefore, comprehensive rate comparison data is unavailable for this division.

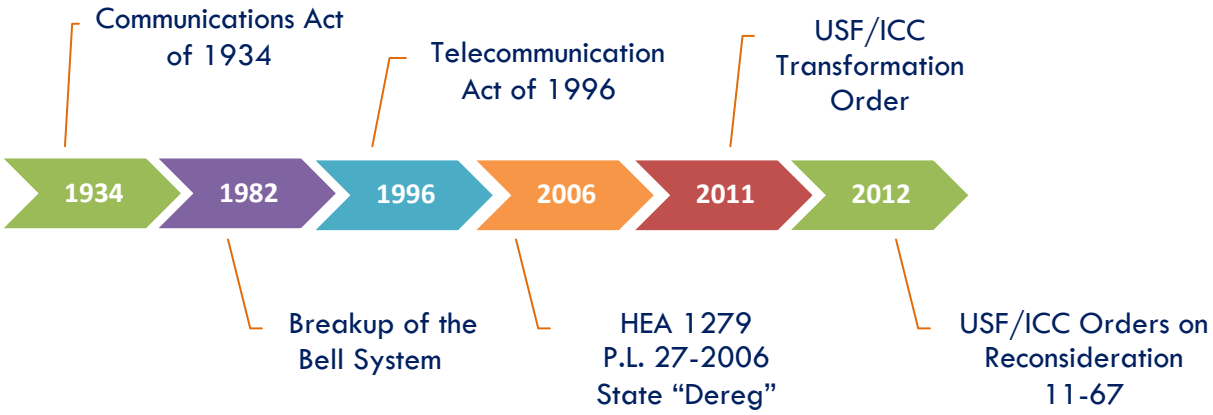


The Commission is also involved in areas of the communications industry where competition alone may not provide solutions. For example, the Commission resolves carrier-to-carrier disputes, manages policies regarding telephone numbering resources (pursuant to federal and state law), protects consumers from unauthorized changes to their service, and implements universal service programs.

The Federal Communications Commission (FCC) was established by the Communications Act of 1934 and operates as an independent U.S. government agency overseen by Congress. The FCC oversees broader communications policies and regulates interstate and international communications by radio, television, wire, satellite, and cable in all 50 states, the District of Columbia and U.S. territories.

To help it craft sound policies, Congress directed the FCC to work with the National Association of Regulatory Utility Commissioners (NARUC) to form Federal-State Joint Boards. These boards are influential in shaping policy and facilitiating discussions among leaders from all levels of government.

Legal and Policy Foundations



Communications Act of 1934

The Communications Act of 1934 set forth the standard that all people should have access to wire and radio communication "without discrimination on the basis of race, color, religion, national origin, or sex."[2] In order to ensure such policies would be honored, Congress then established a new agency, the FCC, dedicated to overseeing the telecommunications industry.

Breaking Up of "Ma Bell"

After an antitrust lawsuit was filed in 1974 against AT&T, "Ma Bell" was ordered to break up into smaller companies following a formal ruling in 1982.[3] This action came after revelations that AT&T had a monopolistic hold over telecommunications services throughout most of the United States. The break up eventually led to new entrants in the market, which fostered increased competition. The new, smaller companies were dubbed the "Baby Bells."

Telecommunication Act of 1996

More than six decades after the Communications Act of 1934, Congress overhauled the nation's telecommunications law. Its intent was "to promote competition and reduce regulation in order to secure lower prices and higher quality services for American telecommunications consumers and

[2] 47 U.S.C.§ 151
[3] *United States v. AT&T*, 552 F.Supp. 131 (D.D.C. 1982)

encourage the rapid deployment of new telecommunications technologies."[4] This marked the shift from telecommunications services being seen as a natural monopoly (e.g., natural gas, electric or water services) to those that could thrive in a competitive market. Some of the more notable sections include: Section 251 (interconnections), Section 254 (universal service), and Section 706 (advanced telecommunications incentives). Essentially, Section 251 required carriers "to interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers." By doing so, additional competitors can enter the market for local and long-distance services. Section 254 then established the Federal-State Joint Board to advise the FCC on universal service mechanisms meant to provide access to high cost areas of the states. Lastly, Section 706 requires the FCC and state commissions to "encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans" through "measures that promote competition in the local telecommunications market, or other regulating methods that remove barriers to infrastructure investment."

House Enrolled Act 1279 (Indiana "Dereg")

In 2006, the General Assembly moved Indiana away from its status of a more traditionally regulated state by passing House Enrolled Act 1279. This reform legislation was passed with bipartisan support and became the legislative template for more than 20 other states. Notable provisions of the reform included deregulating rates and charges for most telecommunications services and giving the IURC authority for the statewide franchising of video service providers. Today, the IURC also serves as a voice for Indiana at the federal level regarding policies that may affect the state.

USF/ICC Transformation Order

In 2011, the FCC dramatically altered the Universal Service Fund (USF) as well as the method by which carriers charge each other for terminating or originating calls, known as intercarrier compensation (ICC). In acknowledging the significance of broadband in the 21st Century, the FCC shifted its focus from the deployment and adoption of voice services to the deployment of broadband across the country. In doing so, the FCC set five specific broadband performance goals for the USF's high-cost component of the USF.

"The goals are:

1. preserve and advance universal availability of voice services;
2. ensure universal availability of modern networks capable of providing voice and broadband service to homes, businesses, and community anchor institutions;
3. ensure universal availability of modern networks capable of providing advanced mobile voice and broadband service;

[4] Telecommunications Act of 1996, Pub.L. No. 104-104, 110 Stat. 56 (1996)

4. ensure that rates for broadband services and rates for voice services are reasonably comparable in all regions of the nation; and

5. minimize the universal service contribution burden on consumers and businesses."[5]

The FCC's reform of ICC included abandoning the calling-party-pays model and phasing in a national bill-and-keep framework. Under the bill-and-keep framework, carriers would no longer have to pay one another for use of each others' networks; they would look first to their retail subscribers to cover the costs of the network, then to explicit universal service support where necessary. In adopting the new framework, the FCC rejected the notion that only the calling party benefits from a call and therefore both the calling party and the party being called should pay for the cost of originating, transporting, and terminating a call.

[5] USF/ICC Transformation Order, para. 17

Availability & Economics

Service for All

The Commission is charged with analyzing the effects of competition and technological change on universal service and the pricing of all telecommunications services offered in Indiana.[6] As pricing information is unavailable, the Commission will focus this section on the programs dedicated to expanding broadband and telephone service availability in the state.

Broadband Service Availability

The Commission frequently receives inquiries from consumers wanting to know which providers offer Internet service in a given area. As broadband access is critical for public safety, economic development, and quality of life, it is essential that policymakers and their constituents have access to quality information. Fortunately, checking availability has become easier with the development of the Indiana Broadband Map, which can be found at http://indianabroadbandmap.com. Map users can also obtain information on broadband speeds and the types of broadband technology used by a particular provider or in a particular location.[7]

Checking for broadband availability is easy:

1. **Visit http://indianabroadbandmap.com**
2. **Enter your address**
3. **Click search and contact the provider of your choice.**

Pursuant to statute, this map is maintained by the Indiana Office of Technology (IOT) as part of the State Broadband Initiative.[8] This nationwide mapping effort began in 2009 by the National Telecommunications and Information Administration (NTIA) to implement the federal Recovery Act and the Broadband Data Improvement Act. The mapping program is a five-year, multi-agency effort to identify areas in the state served by Indiana's approximately 127[9] broadband providers. The state map is then integrated into a national broadband availability map http://broadbandmap.gov and is designed to provide a solid foundation for future broadband deployment efforts at the state and national level. The National Broadband Map, launched February 17, 2011, was the first public, searchable nationwide broadband availability map.

---

[7] Ind. Code § 8-1-2.6-4(c), Ind. Code § 5-28-33-3, Ind. Code 33-5

[8] NTIA, State Broadband Initiative, *available at* http://www2.ntia.doc.gov/SBDD (last accessed July 16, 2014).

[9] This number is subject to change as providers enter and exit the Indiana market.

By consolidating this information, it is easier to identify areas of the state, which are mostly rural, with limited or no access to broadband services. However, the ability of Hoosiers to rely upon the Indiana Broadband Map for an up-to-date picture of broadband availability in the state beyond the end of 2014 is uncertain. As federal funding for the state-by-state mapping efforts expires at the end of this year, the Indiana Office of Technology expects to release the final Indiana Broadband Map on or around October 1, 2014 (with data collected between June and September 2014).[10]

Given the number of areas without broadband, availability remains an important issue facing both Indiana and the nation. Affordable broadband can be an important driver of economic development and improve opportunities for low-income and at-risk populations. In areas where broadband is not available, the following two reasons are most often cited:

1. Technological limitations facing broadband providers (e.g., distance from central office, wire center or loop length, cell tower unavailability or geographic terrain); and

2. Economics (i.e., no business case for deploying broadband in a particular location because cost exceeds potential revenue or a business decision to deploy broadband someplace else due to lower costs or higher revenue).

Telephone Service Availability

High telephone subscribership increases the value and functionality of the communications network for everyone. In fact, the number of Indiana households with voice service is one barometer of the universality and affordability of telecommunications services. However, recent changes at the federal level threaten the availability of such services in Indiana, particularly in rural areas.

USF/ICC Reform = ↓ money for small, rural carriers

With the advent of the Universal Service Fund/Intercarrier Compensation (USF/ICC) Transformation Order, small rural carriers are now at a disadvantage due to changes in the funding structure for USF. Not only will small rural carriers receive less money due to intercarrier compensation[11] being phased out, they will be impacted by the of FCC's use of funds that used to support telephone services to support broadband services. Although the monetary impact is still unknown, these carriers are at-risk if further action is not taken. For more information about these federal initiatives, please see pages 121-126 of this report.

[10] Administration and oversight of national broadband data collection and mapping efforts will shift to the Federal Communications Commission (FCC).

[11] Intercarrier compensation refers to the charges that one carrier pays to another carrier to originate, transport, and/or terminate telecommunications traffic

Indiana Universal Service Fund

The Indiana Universal Service Fund (IUSF) provides cost recovery so that companies in "high-cost areas"[12] may continue to offer services at rates that are "just, reasonable, and affordable" as required by TA-96. In 2007, the IUSF was implemented to ensure that communications networks are built and maintained in areas of the state that are not economical to serve due to challenging terrain or extremely low density development. When the fund was established by the Commission, it was determined the fund should be reviewed every three years to: 1) ensure the operations of the IUSF are meeting the Commission's objectives of preserving and advancing universal service within the state and, 2) to ensure that the processes, funding levels, size, and operation and administration of the IUSF remain adequate and sufficient, among other considerations.[13]

The last Triennial Review was completed in 2012. At that time, the FCC had recently released the USF/ICC Transformation Order which resulted in sweeping changes to federal universal service rules and policies. Consensus was reached by industry stakeholders testifying during the Triennial Review that the status quo should be maintained because it was too soon to determine the long term effects of the FCC's new rules and policies regarding universal service. The Commission concluded their review and implemented no changes to the fund. The next Triennial Review of the Indiana Universal Service Fund is scheduled for 2015.[14]

One aspect of the IUSF that may be reviewed for possible changes in 2015 is the funding mechanism for the IUSF. Currently the IUSF is funded by a small surcharge on intrastate retail telecommunications revenue. The third party administrator of the IUSF, Solix Inc., has recommended that the Commission consider expanding the contribution base to include interconnected VoIP services. In its 2012 Annual Report, the IUSF Administrator noted that "Billed intrastate retail revenues continue to decrease, even among wireless carriers. The FCC has required interconnected VOIP providers to contribute to the Federal Universal Service Fund since June 27, 2006.[15] Other state programs have implemented orders or begun to examine the viability of interconnected VoIP providers as USF contributors. Solix, Inc. recommended that the Commission examine the feasibility of including VoIP providers."[16] The IUSF Oversight Committee in turn recommended that the Commission, "…make determination on the suitability of expanding the base of contributors to the IUSF to include interconnected VoIP providers" while not expressing a unilateral recommendation of its own.[17]

[12] This term is used to denote areas that are not economical for companies to serve for a reasonable and affordable price.
[13] Order in Cause No. 42144, Approved March 17, 2004,
[14] Order in Cause No. 42144-S3, Approved October 10, 2012
[15] In the Matter of Universal Service Contribution Methodology, WC Docket No. 06-122, Report and Order and Notice of Proposed Rulemaking, Rel. June 27, 2006, at para. 45
[16] IUSF Oversight Committee Report to the Commission, filed March 1, 2013, Cause No. 42144-S3
[17] IUSF Oversight Committee's Request for a Commission Determination on Contributors to the IUSF, Cause No. 42144-S3, filed April 12, 2013

Rural Call Completion

Small telephone companies, the IURC, NARUC[18], the FCC, and others have all expressed significant concerns about the completion of long distance calls in rural areas. The FCC recently concluded that rural call completion rates are "frequently poor" and identified several specific types of rural call completion problems[19]: long periods of dead air on the calling party's end after dialing a number, false ring tones on the calling party's end, when the called party's telephone never rings at all, false busy signals, inaccurate intercept and recorded messages, the inability of one or both parties to hear each other when the call does go through, and calls that simply do not arrive at their destination. As the FCC noted, these problems can have "significant and immediate" negative consequences for both business and residential customers. Additionally, it creates the "potential for dangerous delays in public safety communications in rural areas."[20]

The FCC recently concluded that rural call completion rates are "frequently poor" and identified several specific types of rural call completion problems[1]: long periods of dead air on the calling party's end after dialing a number, false ring tones on the calling party's end, when the called party's telephone never rings at all, false busy signals, inaccurate intercept and recorded messages, the inability of one or both parties to hear each other when the call does go through, and calls that simply do not arrive at their destination.

The Commission is aware of at least one Indiana company that has experienced rural call completion problems – Craigville Telephone Company. As Craigville has explained to the FCC, one of the company's largest business customers, with over 300 employees, informed the company last September that it could "no longer accept not receiving calls" from its customers. "They plan to move their telecom services back to a large national carrier."[21]

Recent FCC Activity

In 2013, the FCC released a Report and Order and Further Notice of Proposed Rulemaking (FNPRM) which reflected its latest effort to address rural call completion problems. In the Report and Order, the FCC focused heavily on two possible causes of rural call completion problems: First, a call to a rural area is often handled by numerous different providers in the call's path, including intermediate providers and "least cost routers" and, second, the "particularly high" access rates that long distance providers incur to terminate long-distance calls to some rural rate-of-return carriers provides an incentive to reduce the per-minute cost of those calls. This is usually accomplished by handing the calls off "to an intermediate provider that is offering to deliver it

[18] The National Association of Regulatory Utility Commissions ("NARUC") represents the interests of state utility across the country in federal litigation, and in discussions with Congress and other government entities, industry, consumer organizations, and the media.
[19] In the Matter of Rural Call Completion, WC Docket No. 13-39, Report and Order and Further Notice of Proposed Rulemaking, at para. 1 & footnote 1; para. 14 (November 8, 2013) [*hereinafter*, Report and Order].
[20] Report and Order, at para. 2.
[21] Mr. Lee VonGunten, E-Mail to Acting Chairwoman Clyburn and Commissioners Rosenworcel and Pai (Sept. 26, 2013), subsequently filed as an *ex parte* letter in the FCC's rural call completion proceeding, WC Docket No. 13-39 (Sept. 30, 2013).

cheaply." This reduces the incentive for providers to ensure that calls to rural areas are actually completed properly."[22]

The FCC did not adopt any new rules that would explicitly prohibit "blocking, choking, reducing, or restricting" any calls, per se. However, the FCC has previously determined that such behavior is a violation of federal statute. Furthermore, the Report and Order does not appear to contain any penalties for engaging in these activities. Rather, the FCC adopted rules that required "covered providers" to "record", retain, and report data on long-distance voice call attempts.[23] "Covered providers" are defined as long distance voice service providers that make the initial decision on how to route the long distance call e.g., whether to hand the call off to an intermediate provider or a least cost router and which one, when certain technical requirements are met.[24] In most cases, the covered provider on a particular long-distance call would be the calling party's long distance provider. Covered providers can include local exchange carriers (LECs), interexchange carriers (IXCs), commercial mobile radio service (CMRS) providers, and VoIP service providers.[25]

History of Selected IURC and NARUC Actions

The Commission has addressed rural call completion problems at least three times. On January 16, 2014, the Commission filed comments on the FCC's Further Notice of Proposed Rulemaking, expressing concern that, "even after two declaratory rulings on rural call completion issues (in 2007 and 2012), the formation of a rural call completion task force, and at least one workshop, plus [an] NPRM (released February 7, 2013) and the Report and Order, the FCC still has no rules that explicitly prohibit…blocking, choking, reducing, and restricting traffic." In its previous actions, the FCC had merely determined that these practices were violations of federal statutes. This Commission urged "the FCC to adopt rules that: (1) explicitly prohibit [providers] from blocking, choking, reducing, and restricting any voice calls and (2) affirmatively establish that such behavior is a violation of FCC rules and not just of federal statutes." The Commission emphasized that it was not opposed "to requiring carriers to record, retain, and report data on issues related to rural call completion performance and problems. However, the Commission believes the FCC's emphasis on data issues in the Report and Order, such as data recording, retention, and reporting, while important, is both inadequate and incomplete – particularly since the data requirements do not apply to intermediate carriers, which the FCC specifically mentions as a significant cause of rural call completion problems.[26] Those requirements should be expanded, and new rules should be adopted, consistent with the Commission's comments."[27] All four of the then-sitting IURC Commissioners signed these comments – Chairman Atterholt and Commissioners Landis, Mays, and Ziegner.

---

[22] Report and Order, at para. 17.
[23] Id, at para. 45
[24] Id, paras. 19 & 20
[25] Id, para. 19
[26] Id, para 18
[27] *In the Matter of Rural Call Completion*, WC Docket No. 13-39, Comments of the Indiana Utility Regulatory Commission, at pp. 3 & 4 (filed Jan. 16, 2014).

Last year, NARUC and 112 commissioners from 44 states signed a letter on February 11, 2013, addressed to then-FCC Chairman Julius Genachowski regarding rural call completion issues. This letter called on the FCC to take immediate action, including enforcement action, for non-compliance with the FCC'S 2012 Declaratory Ruling. Later, the Commission joined 13 other states in filing Joint State Commission Comments on May 13, 2013, in response to the February 7, 2013 NPRM and in support of NARUC's comments. NARUC has passed two resolutions regarding rural call completion issues - in 2011 and in 2012.

Federal Lifeline Program

The Commission is required to "fulfill its obligations under TA-96 and Ind. Code 20-20-16 concerning universal service and access to telecommunications service and equipment, including the designation of ETCs."[28] One such obligation is to evaluate telecommunications carriers' petitions for ETC designation, which permits a carrier to receive support from the federal USF. The federal USF supports telecommunications companies that provide service in high-cost areas and offers assistance to low-income consumers (Lifeline), schools, libraries, and rural health care providers.

In recent years, petitions for ETC designation before the commission have been solely for the purpose of offering Lifeline. The Lifeline program is designed to increase the rate of telephone subscribership among low-income citizens. This program reimburses authorized phone companies (i.e., ETCs) for providing service at a discount or at no cost to eligible households. In 2012, the FCC reformed and modernized the program to recognize changing technologies in voice service delivery, streamline the cost of the program, as well as curb waste, fraud, and abuse. As part of the reform, the FCC adopted a uniform monthly discount for eligible low-income customers and eliminated the Link-up program in non-tribal areas.

Although the Lifeline program was traditionally targeted at wireline connections, the program has expanded in recent years to include wireless services.

All ETCs must offer the Lifeline program to eligible customers. Consumers are eligible if they either have a total household income that does not exceed 135% of the Federal Poverty Guidelines or participate in one of the following programs: Medicaid; Supplemental Nutrition Assistance Program (SNAP); Supplemental Security Income (SSI); Federal Public Housing Assistance (Section 8); Low-Income Home Energy Assistance Program (LIHEAP); Temporary Assistance to Needy Families (TANF); or the National School Lunch Programs Free Lunch Program.

Prepaid Wireless ETCs

Although the Lifeline program was traditionally targeted at wireline connections, the program has expanded in recent years to include wireless services. Although the reimbursement amount is the same, the offering is different. For example, prepaid wireless carriers typically use the federal subsidy to provide free minutes each month (usually 250 minutes), to which most carriers add a

[28] Ind. Code § 8-1-2.6-13(d)(5)

basic wireless phone at no charge. Despite differences in the service offerings, the requirement that only one subscriber in a household may receive a Lifeline discount, and that a subscriber may not subscribe to Lifeline service from more than one carrier, applies across the board.

Upon being designated an ETC, providers agree to certain conditions designed to prevent misuse of the program. As of the printing of this Report, the Commission has designated 13 prepaid wireless Lifeline providers as ETCs, including: Virgin Mobile (d/b/a Assurance Wireless); Tracfone (d/b/a SafeLink Wireless), i-wireless (d/b/a Access Wireless); TerraCom, Inc.; Telrite Corporation (d/b/a Life Wireless); Cricket Communications; Nexus Communications, Inc. (d/b/a Reachout Wireless); T-Mobile; American Broadband and Telecommunications; Budget Mobile; Boomerang (d/b/a Ready Mobile); Tempo Telecom, LLC; and Q-Link Wireless. The Commission has denied two prepaid wireless ETC designation petitions due to failure to meet the state and federal criteria for ETC designation. Three other prepaid wireless carriers' ETC petitions are pending.

Actions Taken to Eliminate Waste Fraud and Abuse

The Commission took action in 2013 to deter waste, fraud, and abuse by opening an investigation of TerraCom, a prepaid wireless ETC that receives federal reimbursement for providing 250 free minutes per month to Lifeline eligible customers.[29] In opening the investigation, the Commission noted the ETC's level of growth appeared unusual, given the short amount of time in which it had been doing business in Indiana and coupled with the limited number of sales representatives that were part of the business model presented at the ETC designation hearing. This and the fact the Commission had received information that the FCC ordered the carrier to repay the Lifeline program $402,760 for duplicative support payments for Lifeline customers in Oklahoma spurred the Commission to open the investigation to ensure duplication was not occurring in Indiana.

The Commission completed the investigation on May 7, 2014. While the commission found no conclusive evidence of fraud, the Commission's Order requires the TerraCom to:

- Refrain from accepting new applications for Indiana Lifeline customers for 90 days following the Order;

- Work with Commission staff to develop a methodology to identify and purge vacant or abandoned addresses, to de-enroll any subscribers who are not eligible for Lifeline support in accordance with FCC rules; and

[29] Cause No. 41052 ETC 60

- File a joint report with the Commission detailing the number of subscribers de-enrolled, detailing the amount, if any, of USAC funds to be reimbursed and any recommended processes for preventing the provision of Lifeline service to vacant abandoned homes.[30]

Did you know?

Indiana now has seven area codes and each one has 7.92 million possible numbers. That's over 55 million phone numbers in Indiana alone!

Four Indiana ETCs that provide prepaid wireless Lifeline have proceedings pending before the FCC to deter fraud and recover any duplicative support payments.[31] These federal proceedings, called Notice of Apparent Liability for Forfeiture (NALs), are assertions by the FCC of apparent violations and proposed fines but are not final. Between the four carriers, the FCC alleges over $82,000 in duplicative support payments was obtained based on audits of Lifeline claims for various months in various states. The FCC is proposing substantial fines for the four carriers totaling $39,446,000. However, the ETCs will have a chance to refute the FCC's evidence. The Commission will stay abreast of these proceedings and take state level action if it is deemed necessary.[32]

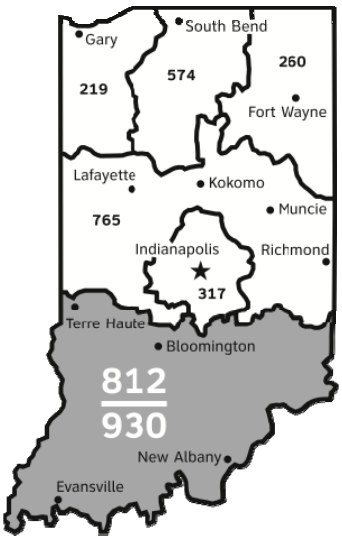
Area Code Relief

The numbering administrative rules, which govern phone dialing numbers, are under the FCC's jurisdiction, but partially delegated to the states. These rules have evolved since the development of the North American Numbering Plan (NANP) in 1947. This system accommodates direct dialing of long-distance calls to the countries in the NANP.[33] Gradually area codes run out of available numbers or "exhaust". After the passage of TA-96, competition among multiple local exchange and wireless carriers placed additional demands upon numbering resources. As a result, state utility commissions and the FCC have implemented policies to conserve blocks of telephone numbers and to postpone area code exhaust dates. Nevertheless, area codes inevitably exhaust because of population growth and the increasing prevalence of communications devices. When an Indiana area code is three years from its projected exhaust date, the North American Numbering Plan Administrator (NANPA) files a petition with the Commission on behalf of the Indiana telecommunications industry to determine the preferred method of area code relief. This entails either splitting the area code into two or more area codes or by implementing an area code which overlays the exhausting area code.

---

[30] *In the Matter of the Indiana Utility Regulatory Commission's Investigation of TerraCom, Inc. and its Compliance with the Orders of the Commission*, Indiana Utility Regulatory Commission, Cause No. 44332, Released May 7, 2014.
[31] Budget Prepay Inc. d/b/a Budget Mobile, Released Feb. 28, 2014, FCC 14-19; i-wireless, LLC, Released Nov. 1, 2013, FCC 13-148; Telrite Corporation d/b/a Life Wireless, Released Dec. 11, 2013, FCC 13-154; and TracFone Wireless, Inc., Released September 30, 2013, FCC 13-133.
[32] 47 C.F.R. 1.80
[33] The NANP is the numbering plan for the Public Switched Telephone Network for Canada, the US and its territories, and some Caribbean countries.

Area Code 930 Implementation



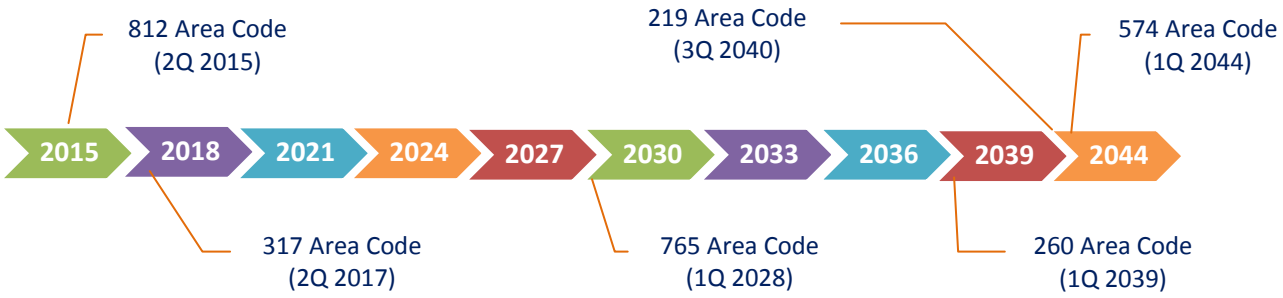
Because of continued high demand for additional telephone numbers in the 812 area code to serve the numbering needs of south central and southern Indiana, current projections show there will be an insufficient inventory of available telephone numbers by March 2015. To address this issue, the NANPA filed a petition with the Commission seeking relief on behalf of Indiana's communications industry. The Commission then issued an Order on July 31, 2013, in IURC Cause No. 44233, approving an overlay of the new 930 area code. This means that consumers and businesses may keep their existing numbers; however, they will have to begin 10-digit dialing. The Indiana telecommunications industry began meetings in September 2013 to determine a timeline for implementation of the 930 area code overlay and educating customers of the change. The original timeline was structured so that the 930 area code would be implemented by October 6, 2014, with mandatory ten-digit dialing starting on September 6, 2014. However, on August 6, 2014, the Commission ordered an extension of the permissive (i.e., seven-digit) dialing period due to concerns regarding the ability of certain businesses that service the medical and law enforcement industry to switch to mandatory 10-digit dialing by September 6, 2014. The permissive dialing period will continue until ordered by the Commission. Important milestones in the timeline are as follows:

- February 1, 2014 – Customer notification no. 1
- March 1, 2014 – Permissive 10-digit dialing begins
- April 7, 2014 – 930 Central office codes available through NANPA
- August 1, 2014 – Customer notification no. 2
- August 6, 2014 - Commission extends permissive dialing period until further ordered in IURC Cause No. 44233

Area Code 317

The projected exhaustion date of area code 317, which serves the Greater Indianapolis area, is 2017. Because the projected exhaust date is three years away, the NANPA has begun convening meetings with industry stakeholders to discuss area code relief. On June 25, 2014, NANPA and the telecommunications industry met to prepare a recommendation as to the best form of area code relief and reached consensus to seek area code relief before the Commission. A petition was filed with the Commission on July 10, 2014. The current life projections for Indiana's six active area codes are reflected in the chart on the next page:

Chart 1
Projected Area Code Exhaust Dates



Economics

Broadband Market

Congress has determined that consumers in "all regions" of the country, including low-income consumers and those in "rural, insular, and high-cost areas," should not be disadvantaged compared to consumers in urban areas with respect to either the availability or the pricing of telecommunications services and information services. Instead, they should have access to services that are reasonably comparable to what consumers in urban areas experience, at rates that are also reasonably comparable.[34]

Implementing this federal statute is more complex than it sounds. Typically, as goods and services become more widespread, the unit cost decreases, and it becomes easier to expand production and sales due to economies of scale. Such is not the case with broadband. Providers tend to first build where the costs of construction are lowest. The cost of construction tends to increase if an area's population is widely dispersed, if the build is to occur in a geographic area with challenging terrain, or if there is a significant distance between the potential broadband customers needing service and the equipment that will be used to provide the service.

Consequently, the cost of providing service to remote rural areas is usually much greater than the cost of providing otherwise identical service in the small towns and cities that are the hubs of said rural communities.[35] This observation only hints at the level of diversity in rural areas; indeed, one writer has said that the federal government has over a dozen different definitions of the word

[34] 47 U.S.C. § 254(b)(3).
[35] The notion that there are both "low-cost" and "high-cost" rural areas is consistent with the federal statutory objective, quoted above, that consumers in both rural *and* high cost areas should have access to telecommunications and information services that are reasonably comparable to services offered in urban areas, and at rates that are also reasonably comparable.

"rural".[36] The U.S. Census Bureau classifies urban areas in two ways: "Urbanized Areas" with at least 50,000 people and "Urban Clusters" with at least 2,500 people but fewer than 50,000. "Rural" encompasses all population, housing, and territory not included within an urban area.[37] In terms of population density, the Census Bureau defines urban areas as core blocks and block groups with population density of 1,000 people per square mile (ppmi^2) and surrounding blocks with overall density of 500 ppmi^2. Nationwide, urban areas can range in size from 2,500 people to over 18 million people.[38] In Indiana, the largest urbanized area is the Indianapolis area, including Boone, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Morgan, and Shelby counties, with a total 2010 population of 1,487,483. Based on the 2010 Decennial Census, approximately 59.72 million people lived in rural areas across the United States (19%), and approximately 252.75 million people lived in urban areas (81%).[39] The corresponding 2010 figures for Indiana were 1.79 million people living in rural areas (27.56%) and 4.69 million (72.44%) in urban areas.[40]

Any discussion about rural broadband issues should also take into account the diversity of companies providing broadband in those areas. Just as not all "rural areas" are the same, not all "rural companies" are the same.[41] Not all "rural areas" are served by small telephone companies, and some small telephone companies may serve areas that could be classified as "urban", "suburban", or "metropolitan", rather than "rural."

Broadband Affordability and Low Income Consumers

Broadband pricing that is considered "too high" or "unaffordable" is a deterrent to customers interested in subscribing to broadband. This is true regardless of a person's income; however, the impact can be especially significant for low-income households. According to the Pew Research Center, fewer than 45% of all adults with household income less than $30,000 had broadband at home, compared to 87% of all adults with household incomes over $75,000.[42] In response, a number of different programs are underway to make broadband more readily available to low-income households. Examples of these programs are as follows:

1. At least two cable companies with Indiana operations have voluntarily begun offering broadband services to eligible low-income customers for $9.95 per month (plus tax).

---

[36] *What does rural mean? Uncle Sam has more than a dozen answers*, by David A. Fahrenthold, The Washington Post: June 8, 2013.
[37] U.S. Bureau of the Census web site: http://www.census.gov/geo/reference/urban-rural.html (last accessed April 17, 2014).
[38] Presentation by Mr. Charles W. Fluharty, President & CEO, Rural Policy Research Institute, to the FCC's Rural Broadband Workshop: March 19, 2014.
[39] Ibid.
[40] "Percent urban and rural in 2010 by state and county", Lists of Population, Land Area, and Percent Urban and Rural in 2010 and Changes from 2000 to 2010: http://www.census.gov/geo/reference/ua/urban-rural-2010.html (last accessed on April 17, 2014).
[41] The Communications Act of 1934, as amended, includes definitions for both "rural carriers" [47 U.S.C. § 251(f)(2] and "rural telephone companies" [47 U.S.C. § 153(44)].
[42] *Home Broadband 2010*, Table, p. 8 (Aug. 11, 2010) www.pewInternet.org/Reports/2010/Home-Broadband-2010.aspx (visited Aug. 9, 2012)

- Comcast offers download speeds up to 3 Mbps and upload speeds up to 768 Kbps through its Internet Essentials service.[43]

These values must be preserved:

1. **Public safety communications must be available no matter the technology**
2. **All Americans must have access to affordable communications services**
3. **Competition in the marketplace provides choice for consumers and businesses**
4. **Consumer protection is paramount**

- Internet Basics service[44] offers eligible low-income homes download speeds of up to 1.5 Mbps and has been available from CenturyLink since October 2011. The City of Franklin was in the first group of communities nationwide to receive this offer.

- CenturyLink and Comcast also offer netbook computers for a discounted price of $150, as well as computer and Internet training.

2. In the Lifeline Reform Order and Further Notice of Proposed Rulemaking, the FCC created the Broadband Adoption Pilot Program for low-income consumers to gather data to test how the Lifeline program could be structured to promote the adoption and retention of broadband services by low-income households.

- The FCC authorized up to $25 million for funding of the pilot program to be disbursed directly to ETCs for up to 12 months of subsidized broadband service either through bundles of voice and broadband services or as standalone broadband.

3. Connect2Compete and the Ad Council joined in a public/private partnership to launch a new digital literacy campaign called "EveryoneOn," which is a nationwide educational campaign. Its purpose is to help Americans, who do not currently use the Internet, gain access to technology through free digital literacy training, discounted high-speed Internet, and low-cost computers.

Network Neutrality or Net Neutrality[45]

In 2010, the FCC adopted rules which require transparency and prohibit both blocking and unreasonable discrimination by Internet Service Providers (ISPs). According to the FCC, these rules were designed to "preserve the Internet as an open platform for innovation, investment, job creation, economic growth, competition, and free expression."[46] These three principles, combined

[43]Comcast Internet Essentials: www.Internetessentials.com/faq/default.aspx (visited May 31, 2012)
[44]CenturyLink Internet Basics: www.centurylink.com/home/Internetbasics/?rid=Internetbasics (visited May 31, 2012)
[45] The FCC often refers to the rules discussed in this section as the "Open Internet" rules; however, this report will generally refer to them as the "network neutrality" or "net neutrality" rules, as those terms are used far more widely in both popular culture and in the industry.
[46] *In the Matter of Preserving the Open Internet, Broadband Industry Practices*, GN Docket No. 09-191, WC Docket No. 07-52, Report and Order, at para. 1 (FCC 10-201) [*hereinafter*, Net Neutrality Order].

with the principle of "reasonable network management", together formed the basis of the FCC's "net neutrality" rules.[47] The FCC described three types of Internet activities in the Net Neutrality Order; (1) the provision of broadband Internet access service; (2) the provision of content, applications, services, and devices accessed over or connected to broadband Internet access service ("edge" products and services); and (3) subscribing to a broadband Internet access service that allows consumers access to those edge services and products.[48]

Reaction to the Rules and Legal Developments

Generally, broadband providers and ISPs opposed the aforementioned FCC rules. Conversely, content and application providers largely supported such regulations, as they depend on the broadband providers and ISPs for access to customers and many consumer organizations. Verizon ultimately challenged the rules in court, arguing that the FCC lacked the "affirmative statutory authority" to promulgate the rules at all; that the rules were arbitrary and capricious; and that the rules contravene statutory provisions prohibiting the [FCC] from treating broadband providers as common carriers.

On January 14, 2014, a three-judge panel of the DC Circuit decided the case by vacating the rules against blocking and unreasonable discrimination. The case was then remanded to the FCC for further proceedings consistent with its opinion. The court left the transparency rules in place.[49] The court held that the FCC had reasonably interpreted Section 706 of the Telecommunications Act of 1996 (TA-96) as providing authority to promulgate rules governing broadband providers' treatment of Internet traffic. Furthermore, the court held that the FCC's justification for the rules – namely, that they would preserve and facilitate the 'virtuous circle' of innovation that has driven the explosive growth of the Internet – is reasonable and supported by substantial evidence."[50] However, the court went on to hold that,

> "[E]ven though the [FCC] has general authority to regulate in this arena, it may not impose requirements that contravene express statutory mandates. Given that the [FCC] has chosen to classify broadband providers in a manner that exempts them from treatment as common carriers, the Communications Act expressly prohibits the [FCC] from nonetheless regulating them as such. Because the [FCC] has failed to establish that the anti-discrimination and anti-blocking rules do not impose *per se* common carrier obligations, we vacate those portions of the *Open Internet Order*."[51]

FCC Chairman Tom Wheeler indicated earlier this year that the FCC would not pursue any legal challenges to the court's decision but would, instead, take the court up on its invitation to act to preserve a free and open Internet by opening a new docket called "Protecting and Promoting the

[47] Id.
[48] Net Neutrality Order, at para. 20.
[49] *See, e.g., Net Neutrality Decision,* Section IV., at 63.
[50] Net Neutrality Decision. at 4.
[51] Id.

Open Internet" to solicit public comment on open Internet and net neutrality issues.[52] More broadly, Chairman Wheeler said, that he would ask his fellow FCC commissioners to propose new rules that would enforce and enhance the transparency rule and fulfill the goals of the "no blocking" and "no discrimination" rules. Chairman Wheeler also indicated that the FCC's proceeding on whether to use its authority under "Title II" of the Communications Act to regulate broadband as a telecommunications service would remain open. In addition, he said the FCC would hold those Internet Service Providers[53] that had agreed to continue honoring the safeguards contained in the net neutrality rules, to their commitments. Finally, Chairman Wheeler said the FCC will look for opportunities to enhance and increase competition in the Internet access market, including a review of some states' legal restrictions on the ability of cities and towns to offer broadband services to consumers.

In late April, Chairman Wheeler announced that he would be proposing revised net neutrality rules for the other FCC commissioners to consider. The proposed revisions were met with a 3-2 vote, thus proceeding with a controversial plan that would allow ISPs such as Comcast, Verizon, and AT&T to charge companies for access to faster transfer of information of the web. A vote on the final rules expected late this year or early next year.[54] The proposal is now in the public comment period, with a final decision expected later in 2014.[55]

Mergers and Agreements

AT&T/T-Mobile Merger

Just over two years ago, AT&T abandoned plans to acquire T-Mobile due to the disapproving responses of the Department of Justice (DOJ) and the FCC. Both the DOJ and FCC determined the merger wasn't in the public interest, as it would reduce the number of national carriers from four to three. The four facilities-based mobile wireless carriers in the U.S. as of year-end 2011 were: AT&T, Sprint Nextel, T-Mobile, and Verizon Wireless. These four nationwide service providers each have mobile wireless networks that cover more than 91% of the U.S. population.[56] As a contingency of the merger failure, AT&T paid T-Mobile three billion dollars and it gained some additional spectrum. In 2013, T-Mobile officially merged with Metro PCS, a smaller carrier considered a facilities-based multi-metro carrier. T-Mobile, the smallest in customer base of the nationwide wireless carriers, is adding 9 million MetroPCS customers to its own 34 million. Even after combining with MetroPCS, T-Mobile will remain the smallest nationwide carrier.[57]

---

[52] Statement by FCC Chairman Tom Wheeler on the FCC's Open Internet Rules (Feb. 19, 2014). http://www.fcc.gov/document/statement-fcc-chairman-tom-wheeler-fccs-open-internet-rules (Visited on April 28, 2014)

[53] ISPs are referred to as "broadband providers" in the FCC's Open Internet Order and rules.

[54] Gillette, F. (2014, May 15). Strife in the Fast Lane: FCC Moves Forward With Controversial Plan. *Bloomberg Business Week*. Retrieved June 20, 2014, from http://www.businessweek.com/articles/2014-05-15/fcc-internet-fast-lane-plan-moves-forward-threatening-net-neutrality (Visited on June 20, 2014)

[55] Id.

[56] FCC 16th Wireless Competition Report, FCC 13-34, Released March 31-2013

[57] Huffington Post, Peter Svenson, April 17, 2014

In the short term, the failure of the AT&T/T-Mobile merger seems to have benefited consumers. T-Mobile's new CEO rebranded it as the "uncarrier," eliminated contracts, and lowered rates. After years of losing subscribers, T-Mobile added more than a million in 2013.[58] A price war between the AT&T and T-Mobile ensued with each carrier offering to pay the early termination fees of customers who leave the other's network and subscribe to their plans. In response to the price war, Verizon also began providing more data for the same price for certain plans. [59]

Some industry analysts are concerned that this competitive environment cannot be maintained. New Street Research LLP contends that Sprint Corp or T-Mobile US need to merge or one will likely fail as they are not generating enough revenue to cover their fixed cost. The industry analysts recommend Sprint Corp and T-Mobile US merge sooner rather than waiting until Sprint or T-Mobile becomes more vulnerable so the new merged company is in a better position to face the two larger companies, Verizon and AT&T. However, others do not think a merger between Sprint and T-Mobile would be beneficial because the two carriers' networks are incompatible. [60]

Comcast/Time Warner

On February 13, 2014 Comcast Corporation and Time Warner Cable announced their Boards of Directors approved a definitive agreement for Time Warner Cable to merge with Comcast. On April 9, 2014, the Senate Judiciary Committee held a hearing on the proposed Comcast-Time Warner Cable merger and its impact on consumers. David Cohen of Comcast and Arthur Vinson of Time Warner told committee members that the merger would benefit the public by providing more products and faster speed, and would not increase customers' bills.[61] Further, since the service areas of Comcast and Time Warner do not overlap geographically, Mr. Cohen assured that the merger will not affect competition. However, the merger also raises concerns because of questions about broadband access at a time of uncertainty around the future of network neutrality. Consumer advocates worry that this deal will give Comcast more leverage to hurt online competitors, such as Netflix, and to favor its own programming from NBC Universal, which it bought two years ago. More than half of Americans with broadband access are getting it from their cable provider.[62] The company argues that its rivals no longer consist of other cable or satellite TV companies, but also companies like Google Inc, Apple Inc, Netflix Inc and Amazon.com Inc. These companies have made progress in competing against Comcast with video content, while cable operators have lost subscribers.[63]

---

[58] Forbes.com, Mark Rogowsky, January 4, 2014
[59] Forbes.com, Mark Rogowsky, February 13, 2014
[60] Kansas City Business Journal, Bobby Birch, April 15, 2014
[61] C-Span, *Comcast-Time Warner Cable Merger, available at* http://www.c-span.org/video/?318477-1/comcasttime-warner-cable-merger, (last accessed July 16, 2014).
[62] National Public Radio, *Consumer Advocates Warn Against Comcast-Time Warner Merger, available at* http://www.npr.org/2014/02/14/276782460/consumer-advocates-warn-against-comcast-time-warner-merger, (last accessed July 16, 2014).
[63] Fox Business, *Comcast Time-Warner to Face Lawmakers on Merger, available at* http://www.foxbusiness.com/industries/2014/04/09/comcast-time-warner-to-face-lawmakers-on-merger-plan/print#, (last accessed July 16, 2014).

On April 28, 2014, Comcast Corporation and Charter Communications announced that the companies reached an agreement on a series of tax-efficient transactions, whereby the combined Comcast-Time Warner Cable entity, following completion of Comcast's merger with Time Warner Cable, will divest systems resulting in a net reduction of approximately 3.9 million video customers.[64]

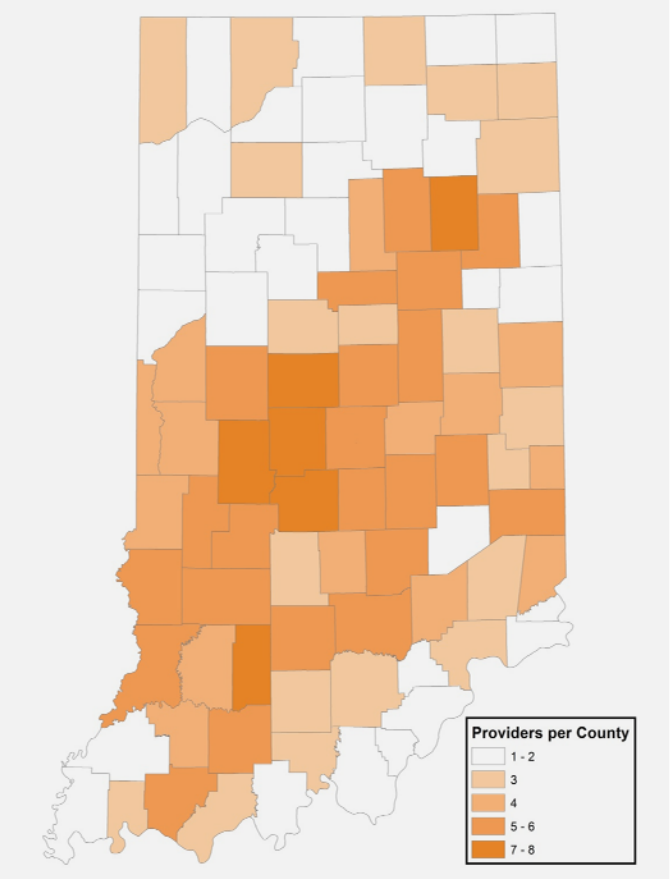
As part of its proposed $45 billion purchase of Time Warner Cable, Comcast will divest most of its Indiana customer base and other Midwestern operations to make its merger acceptable to federal antitrust regulators. Indiana would become the largest service territory for a new publicly traded cable television company managed by Charter Communications, which also would acquire 1.4 million Time Warner subscribers, including thousands in Southern and western Indiana, as part of the three-company deal.[65]

The $45 billion merger precipitated a "trend towards consolidation in the communications market" that has seen AT&T and DirecTV angling for a similar proposed $49 billion deal.[66] Testimony is currently being heard before Congress regarding the mergers.

Map 1

State-Issued Video Service Franchise Holders

Number of Providers by County



Video Market

Before the Commission was the sole authority for the issuance of new video service franchises, VSPs exclusively held local franchises. However, since 2006 the number of VSPs holding local franchises has decreased, and the number of providers holding state-issued franchises has increased. This trend is the result of local franchises expiring and new providers entering the market for the first time, either of which

[64] Comcast.com, *Comcast and Charter reach agreement on divestitures, available at* http://corporate.comcast.com/news-information/news-feed/comcast-and-charter-reach-agreement-on-divestitures , (last accessed on July 16, 2014).
[65] The Indianapolis Star, *Merger deal to send Comcast customers to new cable provider, available at* http://www.indystar.com/story/money/2014/04/28/comcast-charter-communications-indianapolis/8409315/, (last accessed July 16, 2014).
[66] The Hill, *FCC ownership rules under microscope, available at* http://thehill.com/policy/technology/overnights/208895-overnight-tech-fcc-ownership-rules-under-microscope, (last accessed July 16, 2014).

necessitates the issuance of new state-issued video franchises. In 2012, four VSPs acquired their first state-issued franchises. As shown by Map 1, the number of providers by county varies, with some locations being more competitive than others. The industry has also seen some consolidation over the last few years.

In addition to granting state franchises, the Commission also monitors consolidations and other business transactions. In late 2007, Avenue Broadband acquired the assets of three Charter Communications entities that provided video service in Indiana. In 2012, Time Warner Cable acquired the assets of Insight Communications Midwest. In 2013, New Wave Communications acquired the assets of Avenue Broadband. Currently, the Commission is monitoring the status of the proposed merger of Comcast and Time Warner Cable, particularly since each of these providers operate in and serve Indiana customers. VSPs continue the practice of offering package pricing as opposed to a la carte pricing. What this means is that consumers cannot select specific channels and/or exclude others. Rather, they must take an entire bundle, even if they are only interested in one channel. Therefore, consumers must pay a premium for channels like ESPN or HBO, which are often packaged with less popular content. Given the variety of channels and additional types of communications services, an apples-to-apples comparison is difficult, if not impossible, for consumers to make.

Franchise Fee Report

In 2012, the General Assembly passed legislation that required the Commission to gather information from local government units that receive franchise fees under a certificate issued by the Commission or an unexpired local franchise issued by the unit before July 1, 2006. Responses for 2013 were received from 426 units, which is up from 403 units reporting last year. Of those, 66 indicated that no franchise fees were collected, and 531 video franchises were reported as providing service and paying franchise fees in the remaining 360 reporting units. Of those 531 franchises, 490 were providing service under a state issued franchise and 41 were providing service under a local franchise. The reporting units reported payments of franchise fees totaling $38,260,072.

Commission staff compiled the responses and provides the following broad analysis of the reported data:

- Responses were received from 75 of the 92 counties in Indiana. Of those, 17 reported receiving no franchise fees.
- The majority of the reporting units deposit video franchise fees in their respective general funds.
- Most of the reporting units use the video franchise fees for public safety or to cover general operating expenses. Some use the fees for maintenance of rights of way, roads, and other infrastructure.

- 265 units reported the franchise fee rate. Those rates vary from 1% to 5% with the majority set at either 3% (51% of respondents) or 5% (42% of respondents).

- Many units did not provide the requested information about the rate charged, how the rate was established, and the date the rate was set. Conversations with some clerk-treasurers indicated that recent turnover in the office made it impossible for them to provide that information in a timely fashion.

- Some units reported the presence of a video provider but no franchise fees being paid. When requested, commission staff provided education on this section of the statute dealing with the payment of franchise fees and encouraged a dialogue between the unit and the video provider(s). Some units have done so and have begun receiving the fees to which they are entitled.

Protecting Critical Infrastructure: Communications

Alleged cyber attackers appeared to use Apple's "Find My Phone" feature to lock the devices' screens and send a message demanding money be sent to a PayPal account. The anti-theft feature locks phones that are reported lost.

Direct Marketing Authority

The Commission's role of granting direct marketing authority to VSPs was established as a result of SEA 235.[67] Direct marketing authority permits companies to conduct activities such as door-to-door sales in Indiana. Rather than requiring VSPs to obtain a permit in multiple municipalities where they plan to conduct sales activities, the General Assembly granted the Commission authority to certify companies at the state level. Companies may choose whether to seek state authority or local permission to solicit. VSPs applying for state direct marketing authority must certify that all requirements have been met for their employees and contractors. For example, companies must check to see if their employees have a criminal history and must show proof of financial responsibility. They must also file a list of employees certified to conduct direct marketing. The Commission created and maintains a webpage[68] where Commission orders granting direct marketing authority are posted. Additionally, so that local governments can check to see if those individuals that are soliciting have in fact undergone review, the page includes a roster that lists all current and former employees who are certified by the company under the requirements of the law to conduct direct marketing. The Commission has approved four applications for direct marketing authority. The companies that currently hold state authority to conduct direct marketing are Acme Communications, Inc. (IURC Cause No. 44372-DM); CMN-RUS,

[67] Ind. Code § 8-1-34-30
[68] IURC, Direct Marketing Authority, *available at* www.in.gov/iurc/2760.htm, (last accessed July 16, 2014)

Inc. d/b/a Metronet (IURC Cause No. 44378-DM); Comcast (IURC Cause No. 44386 DM); and Endeavor (IURC Cause No. 44417 DM).

Regulatory Initiatives

State Initiatives

Senate Enrolled Act 396

SEA 396 repealed the last provision in Indiana Code that authorized the commission to establish just and reasonable rates to be charged to payphone service providers by incumbent local exchange carriers. Given the Commission no longer has jurisdiction over rates and charges for telecommunications providers, it removed the requirements that rates be non-discriminatory, based on costs incurred by the incumbent LEC and consistent with pricing guidelines established by the FCC. Additionally, the bill provides that a communications service provider that is an eligible telecommunications carrier for purposes of the federal Lifeline Program is not exempt from: (1) the enhanced prepaid wireless charge; or (2) the monthly statewide 911 fee.

Federal Initiatives

The federal regulatory landscape continues to change rapidly. Federal policy changes resulting from the FCC's USF/ICC Transformation Order continue to be rolled out, resulting in more detailed implementation and rulemaking proposals. The Commission stays abreast of funding decisions by the FCC and their impact on Indiana. Below is a summary of these developments and Commission comments.

Connect America Fund | *Released on December 14, 2012*

- Scope: in 2012, the FCC's CAF offered $300 million in broadband buildout support for price cap carriers (midsized) and carriers accepted $115 million. The CAF allocated money for three carriers operating in Indiana: AT&T ($47.8 million), CenturyLink ($89.9 million), and Frontier ($71.9 million). However, due to stringent requirements and a number of conditions connected to the funding, not all carriers accepted it. For example, AT&T and Verizon did not accept any of the allocated funds nationally. CenturyLink accepted $35.1 million, with $41,075 designated for areas in Indiana, and Frontier accepted $71.9 million, with $96,800 designated for areas in Indiana. CAF disbursements require carriers to extend broadband service to at least one location for every $775 in support received.

- The FCC order on May 22, 2013 offered $485 million to support broadband deployment in unserved and underserved areas across the nation. It also expanded eligibility for CAF disbursements to any location currently unserved by Internet service with speeds higher

than 3 Mbps downstream and 768 kbps upstream. Frontier accepted $3,670,000 to serve 6082 Indiana locations while CenturyLink accepted $81,650 to deploy broadband to 146 Indiana locations in Indiana.

PSTN to IP Transition | *Announced in December 2012*

- Scope: In late 2012, an FCC Public Notice[69] sought comment on two separate petitions, filed by AT&T and NTCA (a national association of small rural local exchange carriers). Both petitions dealt with transitioning the Public Switched Telephone Network (PSTN) away from the traditional telecommunications technology known as Time Division Multiplexing (TDM) to the next generation of network technology known as Internet Protocol (IP). The petitions recommended steps for the FCC to take in order to facilitate this transition.

  The Commission filed comments on this matter cautioning this matter and taking action without properly addressing issues such as the following:

  1. Reliability during power outages;
  2. Be technology neutral, forward looking and flexible; able to accommodate other technological shifts, beyond just TDM to IP;
  3. Recognizing the continued applicability of many of the broad principles of existing federal law, even if some of the details might no longer apply due to changes in technology; and
  4. Keeping services and rates reasonably comparable between rural and urban areas.

In response to AT&T and NTCA's petitions, the IURC filed comments cautioning against rushing into the transition without considering the pitfalls associated with it. For example, in the event of a power outage, additional back-up power must exist at both the customer's premises and the telecommunications provider's network if they rely on the electric power grid.

FCC Technology Transitions (Trials) Order

In early 2014, the FCC tackled the TDM-to-IP transition and other technology transitions through varying approaches.[70] This included launching several voluntary experiments designed to measure the impact on customers from technology transitions in communications networks. Additionally, the FCC sought to ensure that those networks continue to provide the services consumers want and need.

[69] Pleading Cycle Established on AT&T and NTCA Petitions, GN Docket No. 12-353 (DA 12-1999, Public Notice, released Dec. 14, 2012)

[70] *In the Matter of Technology Transitions, et al.,* GN Docket No. 13-5, GN Docket No. 12-353, WC Docket No. 10-90, CG Docket No. 10-51, CG Docket No. 03-123, WC Docket No. 13-97, Order, Report and Order and Further Notice of Proposed Rulemaking, Report and Order, Order and Further Notice of Proposed Rulemaking, Proposal and Ongoing Data Initiative (FCC 14-5, rel. Jan. 31, 2014).

Technology transitions in communications networks are already well underway. They include, for example, the transition from plain old telephone service (POTS) delivered over copper lines to feature-rich voice service using Internet Protocols, delivered over coaxial cable, fiber, or wireless networks. According to the FCC, the "experiments will focus on how the enduring values underlying operation of today's networks can be preserved and enhanced throughout technological change. These values include:

1. Public safety communications must be available no matter the technology;
2. All Americans must have access to affordable communications services;
3. Competition in the marketplace provides choice for consumers and businesses; and
4. Consumer protection is paramount."[71]

As the FCC points out, at this time, "consumers can revert to legacy services if the newer technologies don't meet their needs." However, when "adoption of new technologies reaches critical mass, many providers may ask the FCC for permission to cease offering those legacy services."[72]

These experiments will gather information in three broad areas[73]:

Service-based experiments: Providers are invited to submit proposals to initiate tests of providing IP-based alternatives to existing services in discrete geographic areas or situations. Two companies submitted proposals: for service-based experiments: Iowa Network Services (INS) and AT&T. INS subsequently withdrew its proposal. AT&T proposed trials in Carbon Hill, Alabama, and Kings Point, Florida. Various parties have submitted comments on these proposals.

Targeted experiments and cooperative research: These experiments will explore the impact on specific values, including universal access and competition.

- **Rural America:** These experiments will focus on ways to deliver robust broadband to rural areas
- **People with disabilities:** This program includes the development and funding of interagency research on IP-based technologies for people with disabilities
- **Telephone numbering in all-IP world**: A numbering test bed will address concerns raised about number assignment and databases in an all-IP world, without disrupting current systems

Data improvement:

- Reform of the FCC's consumer complaint and inquiry process to collect better data on how technological change is impacting consumer values

[71] *In the Matter of Technology Transitions,* News Release (Jan. 30, 2014).
[72] Id.
[73] Id.

- Intergovernmental collaboration (state, local and Tribal governments) to better understand consumer impact
- Collection and analysis of data on next-generation 911 systems in coordination with the U.S. Department of Transportation's National 911 office and public safety associations

According to the FCC, "The data gathered in these experiments will ensure that the ongoing public dialogue about technology transitions is based on solid facts and data. This discussion will guide the FCC as it makes complex legal and policy choices that advance and accelerate the technology transitions while ensuring that consumers and the enduring values are not adversely affected."

Ongoing Federal Policy Initiatives

The FCC recently modified and is reviewing many important issues that are under the IURC's authority or which affect Indiana carriers or consumers. For example, in late 2011, the FCC restructured how it distributes universal service funds to high cost areas by targeting "unserved areas" to receive support, while reducing support to the service areas of small rural telephone companies.[74] It also mandated stricter designation criteria for ETCs seeking to offer only the Lifeline program.[75] Also under consideration are changes to federal numbering policies regarding the types of carriers that have access to numbering resources,[76] inmate calling services, rural call completion issues, and benchmark rates for companies that receive federal funds. The Commission has filed comments on many of these matters, including:

Universal Service Fund (USF) and Intercarrier Compensation (ICC)

- Scope: USF is the mechanism to support widespread and affordable telephone service in rural areas. ICC is the mechanism which governs how carriers compensate each other for traffic exchanged between their respective networks.

The Importance of the 911 Connection

- Scope: An online petition demanding that hotels and motels be required to enable the direct dialing of emergency number 911, which was prompted by the murder of a woman in an East Texas hotel room[77], has elicited more than 440,000 signatures. The woman's nine-year-old daughter tried to call 911 - four times - but she couldn't get through because she did not know that she needed to dial a 9 to get an outside line.

---

[74] USF-ICC Order, Released November 6, 2011, FCC 11-161, para. 78

[75] Lifeline and Link-up Reform and Modernization Order, FCC 12-11, Released February 6, 2012

[76] Vonage Holding Company's Request for Waiver in Order to Obtain Direct Access to Numbering Resources, CC Docket 99-200

[77] KLTV Channel 7, *Kari's Petition: Hotels upgrading 911 software following Marshall murder* http://www.kltv.com/story/24359759/karis-petition-hotels-upgrading-911-software-following-marshall-murder, (last accessed July 16, 2014).

In January of 2014, FCC Commissioner Ajit Pai issued a Statement on the Importance of Connecting Americans to Emergency Personnel Whenever They Dial 911.[78] In March, 2014, Commissioner Pai's office released the results of a survey conducted by the American Hotel & Lodging Association after the woman's death which showed that only about 45 percent of franchised hotels and motels and 32 percent of independent hotels have direct 911 dialing.

The National Emergency Number Association, a group representing 911 call takers and industry professionals, said it continued to support measures including automatic notifications to hotel management anytime a guest calls for help and a ban on routing 911 calls to a front desk.

Inmate Calling Services

- Scope: The FCC released a Report and Order with rules to reduce the high rates on interstate calls from prisons. The FCC placed caps on interstate inmate calling service (ICS) rates and required such rates to be "cost-based". The FCC found that site commissions are not considered costs that are reasonably and directly related to the cost of providing ICS. The rate caps established are $0.21 per minute for prepaid or debit calls and $0.25 per minute for collect interstate calls.[79] The FCC also established safe harbor rates of $0.12 per minute for prepaid and debit calls and $0.14 per minute for collect interstate calls. ICS providers with interstate rates at or below the safe harbor level are presumed to be fair and cost-based. In a Further Notice of Proposed Rulemaking also included with the Order, the FCC is considering further rules on intrastate ICS calls. However, the FCC's Order is being appealed by an ICS provider. The U.S. Court of Appeals for the District of Columbia Circuit stayed the requirement that ICS rates be cost based and the FCC's safe harbor rates pending the appeal. However, the rate caps were not stayed. [80]

Benchmark Rates for Companies that Receive Federal High Cost Support

- Scope: The FCC's Wireline Competition Bureau proposed a minimum "rate floor" for local retail voice service of $20.46 per month for companies that receive high cost support and proposed that the rates become effective by June 1, 2014. However, the Chairman of the FCC proposed that the date be postponed and the rate be phased in starting at $17.25. The Indiana Universal Service Fund (IUSF) has a lower rate floor of $17.15 for residential service. Therefore, the FCC's new policy may result in several Indiana companies increasing their rates. Many stakeholders, including NARUC and AARP, are opposed to the $20.46 rate floor as it represents an increase of 46% from the FCC's 2013 rate floor.

[78] FCC, *Statement of FCC Commissioner Ajit Pai on the Importance of Connecting Americans to Emergency Personnel Whenever they Dial 911, available at* https://apps.fcc.gov/edocs_public/attachmatch/DOC-325077A1.pdf (last accessed July 16, 2014).
[79] *In the Matter of Inmate Calling Services,* Federal Communications Commission, Released Sept. 26, 2013, FCC 13-113
[80] *Court Partially Denies Appeal to Block FCC Prison Call Rate Caps*, Bryce Baschuk, Telecommunications Law Resource Center, January 15, 2014

Appendix

Appendix A – Video Franchise Fee Report

In 2012, the General Assembly passed legislation that required the Commission to gather information from local government units that receive franchise fees under a certificate issued by the Commission or an unexpired local franchise issued by the unit before July 1, 2006. Responses for 2013 were received from 426 units.

Disclaimer: *Please note that the purpose for which the funds were spent is presented in the attached Video Franchise Fee Report as closely as possible to a verbatim representation of the explanation provided by the unit in its response to the Commission. Minor punctuation and typographical error corrections have been made.*

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Akron, Town of							
Comcast	State	$ 1,182	General Fund (Revenue General Cable Franchise Fees)	The cable franchise fees the Town of Akron receives are used to help fund the general fund.	3%	5/7/85	Ordinance No. 7-85
Rochester Telephone Company	Local	$ 2,263				7/18/00	Ordinance No. AMC2-1A 1-9
Albany, Town of							
Comcast	State	$ 18,865	General Fund	Police Salaries	No Answer	No Answer	No Answer
Albion, Town of							
Mediacom LLC	State	$ 6,023	General Fund	Franchise fees are receipted into and expended from the General Fund which includes the Town of Albion's Corporation General Fund, Police Department, and Fire Department.	3%	Unknown	Ordinance No. F96-26
Allen County							
Mediacom	State	$ 16,714	Public Information Fund: $314,786.27; General Fund: $472,179.41	The cable franchise fees received by Allen County are used to fund the County Public Information Officer and Executive Assistant to the Commissioners positions, as well as public notices printed in the newspaper required by state law, contractual services with the library to utilize their public access channel and staff to create news programs and meeting broadcasts relevant to Allen County residents, fees to utilize the library's streaming media server to make meetings available "on demand" on our website, and other misc. County PIO expenses.	5%	10/24/01	Ordinance approved by the Commissioners
Frontier	State	$ 142,773				Not available	Not available
Comcast	State	$ 627,479				6/24/98	Ordinance approved by the Commissioners
Alton, Town of	No Fees Collected						
Ambia, Town of	No Fees Collected						

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Anderson, City of							
AT&T	State	$ 133,607	General Fund	Operating cost in general fund salaries, supplies, services, capital outlay.	5%	8/2/02	Ordinance No. 37-02
Comcast	State	$ 581,578					
Andrews, Town of							
Comcast	State	$ 4,536	General Fund	General Expenditures	No Answer	No Answer	No Answer
Angola, City of							
Mediacom Communications Corp.	Local	$ 47,955	General Fund - Cable TV Receipts	Support the information technology department.	5%	2/18/03	Ordinance No. 1107-2003
Arcadia, Town of							
Comcast	State	$ 6,408	General Fund	Governmental Expenditures	No Answer	No Answer	No Answer
Atlanta, Town of							
Comcast	State	$ 3,947	General Fund	Governmental Expenditures	3%	2007	No Answer
Attica, City of							
Comcast	State	$ 23,734	General - Comcast Franchise Fees	Pay our Building Commissioner and maintenance on right of ways.	3%	5/27/81	Ordinance No. 756-1962
Auburn, Civil City of							
Mediacom, LLC	State	$ 35,719	General Franchise Fees	The fees are used to supplement maintenance of the right-of-ways. Mowing, weed spraying, tree/shrub trimming. This also would include the cost of labor and equipment required to perform these maintenance tasks. It is imperative to have this supplementation so utility rates are not subject to increase.	3% basic/ expanded basic; 5% premium/ pay-per-view	4/29/04	Ordinance No. 2004-05
Auburn Essential Services	State	$ 13,250					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Aurora, City of							
Comcast Financial Agency	State	$ 15,349	General Fund Cable TV Fees	Any general budget expenses.	No Answer	No Answer	No Answer
Austin, City of							
Time Warner Cable	State	$ 30,949	General Fund	General Fund appropriations.	5%	2004	Ordinance No. 2004-01
Avilla, Town of							
New Wave Communications	state	$ 1,322	General Town/ Cable TV Franchise	Any legal expense authorization - General Fund Budget	3%	5/13/92	Written agreement w/ Comcast Cable No. 01910003
Avon, Town of							
Indiana Bell	State	$ 22,428	General	Franchise fees are deposited into the General Fund and budgeted/used to support the salaries,	2%	11/30/95	Ordinance No. 95-5
Brighthouse Networks	State	$ 15,414					
Bartholomew County							
Indiana Bell Telephone	State	$ 16,691	Telecomm Non-Reverting	Video arraignment project at the Bartholomew County Jail. Project overseen by IT department to purchase and install equipment. Video Conferencing will expedite the administration of criminal justice between the Court and Jail.	3%	1/1/82	Ordinance No. 1982-1
Comcast Financial	State	$ 109,872				11/1/93	Amended Ordinance No. 1993-15
NewWave Communications	State	$ 791				No Answer	No Answer

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Batesville, City of							
Enhanced Telecommunications	State	$ 29,274	General Fund	They are used for public safety. They go towards police & fire budgets.	No Answer	No Answer	No Answer
Beech Grove, City of							
Comcast Cable	State	$ 110,584	General Fund	Support government operations.	5%	4/19/93	Ordinance No. 91.077
AT&T	State	$ 36,919					
Benton County	No Fees Collected						
Berne, City of							
Comcast of Illinois/ Indiana/ Ohio, LLC	State	$ 21,738	General Fund	To help fund the General Fund expenses	5%	7/9/90	Ordinance No. 379
Benton Ridge Telephone Company	Local	$ 1,152				7/8/02	Ordinance No. 519
Bicknell, City of							
NewWave Communications	State	$ 9,844	General Fund	Operating Expenses	2%	No Answer	No Answer
Birdseye, Town of	No Fees Collected						
Bloomfield, Town of							
Comcast	State	$ 26,083	General Fund	Salaries & Benefits, Operating Expenses, Materials & Supplies, and Capital Outlay	No Answer	No Answer	No Answer
Bloomingdale, Town of							
Sudden Link	State	$ 814	General/ Cable TV Franchise	No Answer	3%	9/2/03	No Answer
New Wave Communications	State	$ 561					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Bloomington, City of							
Comcast	State	$ 747,477	Telecom Non-reverting	60% of cable franchise fees shall be dedicated for audio-visual and information technology, public education, and government access/ telecommunications services; 40% of cable franchise fees shall be dedicated for audio-visual and information technology, for the planning, design, development, construction, maintenance, and repair of the city's telecommunications infrastructure.	5%	6/19/96	Ordinance No. 96-12
Indiana Bell Tel. Co.	State	$ 195,904					
Smithville Communications, Inc.	Local	$ 526					
Bluffton, City of							
Craigville Telephone Co. Inc. d/b/a AdamsWells TV	State	$ 18,348	General Fund	Public Safety, Dispatch, Police, and Fire	3%	4/16/73	Ordinance No. 494
Mediacom LLC	Local	$ 23,832			5%	6/1/09	Agreement
Boone County							
Comcast	State	$ 12,804	County General	The general operation of county government.	3%	3/15/82	Ordinance No. 82-1
Indiana Bell Telephone	State	$ 16,818					
Brighthouse	State	$ 24,975					
Clear Channel	Local	$ 695					
Smithville Communications	Local	$ 168					
CMN-RUS, Inc.	Local	$ 1,476					
Boonville, City of							
Time Warner	State	$ 52,644	General Fund	To help fund the Police Department and General expense.	5%	10/13/04	Ordinance No. 2004-24
Wide Open West	State	$ 17,174				12/19/05	Ordinance No. 2005-11

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Borden, Town of							
Time Warner Cable	State	$ 693,901	General	Deposited into General fund for general purposes.	No Answer	No Answer	No Answer
Boswell, Town of							
Full Choice Communications	Local	$ 200	General Fund	This goes into our general fund - so it can be spent how council motions.	Flat Fee	No Answer	No Answer
Bourbon, Town of							
Mediacom	State	$ 25	No Answer	Not really a franchise fee - it is rent for building being partially located on our property.	$25 flat fee	5/8/12	Amendment to Lease
Bremen, Town of							
Mediacom Communications Corp.	State	$ 31,561	General Fund	Funding utilized towards General Operations in serving our community such as sidewalk replacement projects and other town property improvements.	5%	11/22/04	Approved by Town Council
Bristol, Town of							
Comcast	State	$ 13,016	General Fund	Any General Fund expenditure.	3%	3/18/04	Franchise
Brookston, Town of							
Comcast Financial Corporation	State	$ 8,217	General Fund	Town of Brookston spends this on a variety of expenses through the year from General Fund.	2%	No Answer	Ordinance No. 75-1
Brookville, Town of	No Fees Collected						
Brown County							
Comcast Financial Agency Corp.	State	$ 717	County General	Probably went unknown that the money was there, it just rolled at the year end and still in County General Fund.	Unknown	No Answer	No Answer
NewWave Communications	State	$ 234					
Brownsburg, Town of							
AT&T	State	$ 106,779	Town of Brownsburg Corporation Operating Account	The money is deposited into the General Fund for operating expenses and is not restricted to any one purpose.	Unknown	Unknown	Unknown
Comcast Cable	State	$ 120,867					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Brownstown, Town of							
Comcast of Illinois/ Indiana/ Ohio, LLC	State	$ 21,422	General Fund - Cable TV Franchise	Local Law enforcement and operating costs for the Town of Brownstown.	No Answer	No Answer	No Answer
Bruceville, Town of							
Avenue Broadband Communications	Local	$ 2,836	General Fund - Cable TV Franchise	These funds were used to fund our general fund budget.	3%	7/14/98	Contract
Bryant, Town of							
Comcast	State	$ 1,326	Cable TV Franchise	No Answer	No Answer	No Answer	No Answer
Burket, Civil Town of							
Comcast Financial Fees	State	$ 614	No Answer	No Answer	No Answer	No Answer	No Answer
Burlington, Town of							
NewWave Communications	State	$ 1,148	General Fund	To aid in the maintaining of alleyways and curbs to ensure access to cable lines.	2%	4/2/85 4/16/01	Ordinance No. 85-1A Ordinance No. 2-2001 (Renewal & Extension)
Burnettsville, Town of							
Comcast	State	$ 1,362	General Fund/Cable Franchise Fee	Operating expenses.	No Answer	No Answer	No Answer
Burns Harbor, Town of							
Comcast Cable Communications Group	State	$ 18,654	General Fund	The Town of Burns Harbor uses franchise fees to assist in the payment of general service expenditures that pertain to the maintenance and policing of the public right-of-way property.	5%	4/11/07	Town Ordinance No. 200-2007

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Butler, City of							
Mediacom	State	$ 2,464	General Fund	Local Government, Police Department	$223.99 per month		Ordinance No. 136, with 3% increase each year.
Cambridge City, Town of							
Comcast	State	$ 31,914	Town of Cambridge City fund	Payroll, Firemen and Police fuel, Fire Station, Police vehicles, Cemetery, Parks repairs and maintenance, Downtown street lights.	5%	Unknown	Unknown
Camden, Town of							
NewWave Communications	State	$ 1,068	General Fund	Maintain cable line right of ways.	2%	Sept. 1984	Local Agreement
Campbellsburg, Town of							
Time Warner Cable	State	$ 3,512	General Fund	General operations and maintenance of the Town of Campbellsburg - equipment and building repairs.	No Answer	No Answer	No Answer
Cannelburg, Town of	No Fees Collected						
Cannelton, City of							
Comcast Cable	State	$ 12,516	General Fund	This money is deposited into the General Fund where it is used to fund city operating expenses, including but not limited to salaries, supplies, repairs.	No Answer	No Answer	No Answer
Carbon, Town of							
NewWave Communications	State	$ 423	General Fund	Help to meet the town's bills.	3%	4/5/82	By Ordinance
Carmel, City of							
AT&T	State	$ 292,329	General Fund	All general fund purposes.	5%	8/21/00	Ordinance No. D-1465-00 as amended.
Brighthouse	State	$ 361,905					
Inside Cable	State	$ 222					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Carroll County							
Comcast	State	$ 25,310	Cable Franchise	The fees are receipted into the County General and are used for the various needs of the County. The fees are not earmarked for a specific use.	No Answer	No Answer	No Answer
New Wave	State	$ 4,227					
Carthage, Town of							
Comcast	State	$ 4,797	Town of Carthage General Account	These funds were deposited to our General Account. The money was used to pay files that occur on a monthly basis. It is so needed as we are a small town and every penny is stretched as far as we can make it go.	5%	9/22/07	Resolution No. 6-2007
Cass County							
Comcast	State	$ 18,900	County General Fund	Funding County General	5%	2004	By Comcast
Cedar Lake, Town of							
Comcast	State	$ 117,940	General Fund #0101	Maintenance of easements (grass mowing, weed control), street light maintenance.	5%	11/26/02	15-yr agmt amendment w/ Lake County Cable TV Consortium
Chandler, Town of							
Time Warner Cable	State	$ 14,667	General/Cable TV Franchise	Police/General expenses	5%	9/19/05	Ordinance No. 2005-10
Chesterfield, Town of							
Comcast Cablevision	State	$ 21,483	General Fund/ Public Safety	All monies go toward our public safety budget to help pay officers salaries, train and keep our police department current with the most recent training, continuing education, necessary equipment to ensure our residents are safe and our officers are equipped with vehicles, equipment and knowledge to keep them safe and give them the opportunity to be the best officer they can be!	5%	1983	Ordinance No. 111.11 State Code 26-36-1-1
Indiana Bell Telephone Company	State	$ 6,961					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Chesterton, Town of							
Comcast Cable Communications Group	State	$ 160,057	General Fund	The Town of Chesterton uses franchise fees to assist in the payment of general service expenditures that pertain to the maintenance and policing of the public right-of-way property.	5%	8/14/95	Ordinance No. 95-17
Churubusco, Town of	No Fees Collected						
Cicero, Town of							
Comcast	State	$ 36,341	General Fund	The revenue received from Comcast are deposited into the General Fund to assist in providing funding for the Town's general operations.	No Answer	No Answer	No Answer
Clark County							
Indiana Bell Tel. Co.	State	$ 15,492	Information Technology Fund	Operating, maintaining, repairing, and replacing information technology systems of the County, including computer systems, telephone systems, digital or radio communication devices and appurtenances.	3%	8/2/12	Ordinance No. 30-2012
Time Warner	State	$ 189,656					
Clarksville, Civil Town of							
Indiana Bell (AT&T)	State	$ 6,426	General - Cable Franchise Fee	No Answer	3%	No Answer	No Answer
Time Warner Cable	State	$ 56,023					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Clay County							
Endeavor Communications	State	$ 1,562	County General	County General Fund operating costs.	5%	No Answer	Unknown
Avenue Broadband d/b/a NewWave Communications	State	$ 3,450			3%		
NewWave Communications	State	$ 1,802			1%		
Suddenlink Communications	State	$ 32			1%		
Clayton, Town of							
NewWave Communications	State	$ 1,398	Cable TV Franchise Fee	No specific use.	3%	No Answer	Ordinance No. 1-1985
Clinton, City of							
Avenue Broadband Communications, Inc.	State	$ 10,975	General Fund	Support General Budget.	No Answer	No Answer	No Answer
NewWave Communications	State	$ 3,837					
Clinton County							
Comcast	State	$ 50	County General	N/A	3%	No Answer	No Answer
Mulberry Coop. Telephone	State	$ 6,981					
Cloverdale, Town of							
Clay County Rural Telephone (Endeavor)	State	$ 5,088	General/ Cable TV Franchise	General purpose.	3%	3/15/05	Ordinance No. 1995-5
Coatesville, Town of							
Endeavor Communications	State	$ 1,540	General Fund	To lower property taxes.	No Answer	No Answer	No Answer
Avenue Broadband Communications	State	$ 449					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Columbia City, City of							
Mediacom	State	$ 41,480	General Fund - Franchise Fees	Funding of General Fund operating budgets.	5%	10/14/80	Ordinance
Columbus, City of							
Indiana Bell Tel. Co.	State	$ 129,207	Columbus Technology Service	Audio Visual Streaming, public wireless web filter, Everbridge reverse notification, annual fees, & Apple IPOD stands.	5%	10/19/93	Ordinance No. 44, 1993
Comcast	State	$ 240,979					
Smithville Digital, LLC	State	$ 73					
Connersville, City of							
Comcast	State	$ 106,866	Cable TV Education Fund	Operation of the local government and education access channel.	5%	Unknown	State Franchise
Cinergy Metronet	State	$ 50,862					
Corydon, Town of							
Time Warner Cable	State	$ 42,617	General Fund	General Expenses	No Answer	No Answer	No Answer
Country Club Heights, Town of							
Indiana Bell Tel. Co.	State	$ 389	General Fund	Operations	5%	Unknown	State Franchise
Covington, City of							
NewWave Communications	Local	$ 3,631	City of Covington Electric Fund	Pole Maintenance	4%	11/1/93	Ordinance No. 93-15
Crane, Town of	No Fees Collected						
Crawfordsville, City of							
Comcast Cable Communications Inc.	State	$ 62,363	City General Fund	Video fees supplement revenue for city of Crawfordsville General Fund - This fund pays public safety officers salaries and benefits and equipment.	3%	10/11/05	Ordinance
AT&T Video, Indiana Bell	State	$ 21,140				12/2009	Letter of Agreement
Accelplus Video	State	$ 11,927				5/11/04	Ordinance
Crothersville, Town of	No Fees Collected						
Crown Point, City of							
Comcast Cable	State	$ 217,994	General Fund	This revenue is very helpful with public safety and any legal use of it. This is helpful with the cost for any Capital outlay purchases such as emergency vehicles.	No Answer	No Answer	No Answer
Indiana Bell Telephone Company	State	$ 89,536					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Crows Nest, Town of (via phone call)	No Fees Collected						
Culver, Town of							
Mediacom	State	$ 5,544	General Fund	The funds support efforts of the local fire department, emergency medical services and police department, which the town employs, as well as the clerk's office.	No Answer	No Answer	No Answer
Cumberland, Town of							
Indiana Bell/AT&T	State	$ 17,024	Cable TV Franchise-AT&T/ Cable TV Franchise-Comcast	General Fund - anything legally spent from general fund.	5%	1/9/95	State Ceiling
Comcast	State	$ 42,135					
Cynthiana, Town of							
Time Warner Cable	State	$ 5,534	General Fund	To add additional mulch to our playground.	5%	8/28/01	Through agreement with Insight when they bought out the previous cable company. Time Warner Cable recently bought Insight and the contract continues.
Dale, Town of	No Fees Collected						
Daleville, Town of							
Indiana Bell	State	$ 2,686	No Answer	Public Safety, we use the funds to help fund public safety so we can assure our community that the town is doing all it can to help our police department be the best they can be.	No Answer	No Answer	No Answer

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Danville, Town of							
Comcast Cable Vision	State	$ 43,124	General Fund - Franchise Fees	General operating.	3%	11/17/97	Ordinance No. 27-1997
Indiana Bell	State	$ 18,174					
Darlington, Town of	No Fees Collected						
Darmstadt, Town of							
Time Warner (Insight)	State	$ 18,166	Cable Franchise in General Fund	Fire protection contract	No Answer	No Answer	No Answer
Daviess County							
RTC Communications	State	$ 7,641	County General Fund	No Answer	No Answer	10/1/07	State of Indiana
NewWave Communications	State	$ 11,509				1/1/07	
Dearborn County							
Comcast	State	$ 50,931	County General Fund	General County Operations	3%	No Answer	Ordinance
Enhanced Telecommunications	State	$ 19,735					
Cincinnati Bell	State	$ 4,507					
Decatur, City of							
Mediacom Communications Corp.	State	$ 24,040	General Fund	General Operating expenses.	3%	3/6/01	Ordinance No. 2001-1
Decatur County							
Comcast	State	$ 260	General Fund, Miscellaneous	Unknown because the amount is put into a general fund account with other monies not earmarked for anything special.	Unknown	Unknown	Unknown
DeKalb County	No Fees Collected						
Delaware County							
Indiana Bell Tel. Co.	State	$ 48,295	County General	General	5%	Through statute	IC 8-1-34-24
DeMotte, Town of							
Comcast Cable	State	$ 20,108	General - Cable TV	The fees help fund the general budget.	No Answer	No Answer	No Answer
Dillsboro, Town of							
Comcast of Indiana/ Kentucky/Utah	State	$ 5,264	General Fund	General fund operating, police, fire protection.	No Answer	No Answer	No Answer

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Dublin, Town of							
Comcast Cable	State	$ 6,995	General Fund	Added to General Fund to help pay for Police, Fire, and Park Expenses.	5%	11/14/95	Ordinance
Dubois County							
Insight Communications	State	$ 2,387	County General	General operations of the County.	3%	5/15/06	Ordinance
Time Warner Cable	State	$ 7,442					
PSC	State	$ 1,621					
Dune Acres, Town of							
Comcast of Indiana	State	$ 4,507	General - Cable Franchise	General Fund expenses.	3%	2/4/06	Town Code of Dune Acres 38:3-(38-69)
Dunkirk, City of							
Comcast Cable Communications	State	$ 19,063	General Fund/ Cable Franchise Fees	Daily operations within the city of Dunkirk.	5%	12/13/93	Ordinance No. 1993-09
East Chicago, City of							
Indiana Bell Tel. Co.	State	$ 35,176	General Fund-Cable TV Franchise Acct.	The cable franchise fees were used to fund the City's General Fund Public Safety budget 2013 - $16,924,552.	5%	7/13/04	Ordinance No. 03-0025
Comcast Financial Agency Corp.	State	$ 178,993					
East Germantown, Town of							
Comcast Financial Agency Corp.	State	$ 1,242	No Answer	No Answer	3%	No Answer	No Answer
Eaton, Town of							
Comcast	State	$ 8,734	General Fund	Maintenance of right of ways and easements, locates.	5%	3/14/84	Ordinance No. 3-84
Edinburgh, Town of							
NewWave Communications	State	$ 12,571	General & Electric Funds	The revenues from the franchise fees are used to offset tax dollars for the year.	2%	12/26/79	Ordinance No. 1979-24
AT&T	State	$ 758					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Edwardsport, Town of							
New Wave Communications	Local	$ 1,445	General Fund	No Answer	3%	No Answer	No Answer
Elberfeld, Town of							
New Alliance Broadband **(This company withdrew their video application and never refiled.)**	Local	$ 429	General Fund	These fees were deposited into the General Fund.	No Answer	No Answer	No Answer
Elizabeth, Town of	No Fees Collected						
Elkhart, City of							
Comcast	State	$ 215,576	General Fund	2013 Budget	3%	1/15/97	Ordinance No. 4285
Elkhart County							
Comcast Cable	State	$ 4,606	General Fund	General Fund expenses.	No Answer	No Answer	No Answer
Quality Cablevision	Local	$ 300			3%	2/4/04	Ordinance No. 04-61
Ellettsville, Town of							
Comcast	State	$ 48,213	General Fund as Misc. Revenue	Agreement with Community Access Television to televise both Council and Plan Commission Meetings - annual cost $13,772. The remainder supports the Police and Fire Departments.	5%	7/12/10	The franchise fee started 8/3/1980 by contract with Horizon (20 year term.) Insight and Comcast continued 3% with no contract until 7/12/2010.
Smithville Communications	State	$ 1,314					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Elwood, City of							
Comcast Cable	State	$ 42,567	General Fund	Funds received are used to help cover the cut to the general fund by the circuit breaker.	5%	1/7/85	Ordinance No. 1605
AT&T	State	$ 11,574					
Etna Green, Town of							
Comcast	State	$ 2,162	General Fund	Maintenance of Town buildings, property and other municipal expenses.	No Answer	No Answer	No Answer
Fairland Civil Unit	No Fees Collected						
Fairmount, Town of							
Comcast Inc.	State	$ 26,496	General Fund	These funds go toward the compensation of the Police and Fire Department.	No Answer	No Answer	No Answer
Fairview, Town of							
Avenue Broadband Communications	State	$ 3,767	General Fund	General operations of the town.	3%	No Answer	Unknown
Fayette County							
Comcast	State	$ 27,975	County General Fund - Cable TV Agreement Ch 3	Franchise fees were paid directly to Connersville City TV-3 local community educational television station.	5%	7/21/97	Fayette County Ordinance No. 97-12
Cinergy Metronet	State	$ 2,068					
Ferdinand, Town of							
Perry-Spencer Communications	State	$ 6,616	General Fund - Cable Franchise	Fees are used for the costs and expenses incurred by the Town to process and administer cable TV franchise fees and to maintain Town right-of-ways used by cable TV providers.	3%	7/1/06	Ordinance No. 13-02
New Alliance Broadband **(This company withdrew their video application and never refiled.)**	State	$ 394					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Fishers, Town of							
Nine Star Connect	State	$ 2,659	General Fund	100% operating budget	5%	Unknown	Unknown
Central Indiana Communications	State	$ 202			5%	Unknown	Unknown
Comcast	State	$ 337,878			5%	10/4/95	Ordinance No. 082395
Inside Connect Cable	State	$ 287			Unknown	Unknown	Unknown
Indiana Bell	State	$ 299,694			3%	Unknown	Unknown
Bright House Networks	State	$ 444			5%	Unknown	Unknown
Flora, Town of							
New Wave Communications	State	$ 3,704	Town of Flora - General Fund: ~60% ($2,222.49); Flora Electricity Utility: ~40% ($1,481.66)	The town portion is deposited into the General Fund and within this fund is a line item for our Local Access Chanel 2 TV Station. The funds received support this public access station for our residents showing local sporting events, festivals, services, etc. The Electric Utility portion is deposited into their Operating Accounts and the funds are used to maintain the utility poles and other maintenance expenses.	No Answer	No Answer	No Answer
Fort Branch, Town of							
Time Warner Cable	State	$ 25,435	No Answer	Fees are put into the general operating account which supports the police department.	No Answer	No Answer	No Answer
Fort Wayne, City of							
Comcast Cablevision	State	$ 1,983,364	General Fund, Cable Fund	General Fund deposits are used for current general operations of the City. Cable fund deposits are used for local cable access	5%	11/14/95	Local Ordinance No. G-27-95
Frontier Communications	State	$ 707,580				7/20/95	Master Agreement

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Fountain County							
Comcast Financial	State	$ 173	County General	General purposes.	5%	Unknown	Unknown
New Wave Communications	State	$ 803					
Fowler, Town of							
NewWave Communications	State	$ 1,104	General Cable TV Franchise Fee	None of these fees were spent in 2013.	No Answer	No Answer	No Answer
Fowlertown, Town of							
Comcast	State	$ 1,105	General Fund	Money is being saved for the goal of replacing our curbs and sidewalks we have an estimate and are checking for other estimates from other sources.	Renewal & Extension	2/9/04	Ordinance No. 2-2004
Francesville, Town of							
Mediacom	State	No Fees Received	No Answer	No Answer	No Answer	No Answer	No Answer
Franklin, City of							
Comcast of Illinois/ Indiana/ Ohio, LLC	State	$ 163,180	General Fund	Used for Public Safety Expenses: Including salaries, equipment, uniforms, supplies, and other items necessary for use of the Police & Fire Departments by the Board of Public Works and Safety.	3%	8/25/03	City of Franklin Common Council Ordinance No. 03-15
Franklin County (via Phone Call)	No Fees Collected						
Frankton, Town of							
Swayzee Communications	State	$ 1,827	General Fund	General Fund is used for the operation of the Town, Police Department, and Street Department.	3%	11/10/80	Ordinance No. 347-80

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Fremont, Town of							
Mediacom	State	$ 7,339	General Fund	To help fund the General Fund which funds Police, Court, Street, and Town.	No Answer	No Answer	No Answer
French Lick, Town of							
Smithville Telephone	State	$ 4,940	General Fund	No Answer	3%	10/17/88	No Answer
NewWave Communications	State	$ 6,449					
Fulton County							
Rochester Telephone Company	State	$ 1,586	County General	No Answer	3%	Unknown	Unknown
Comcast	State	$ 2,260					
Geneva, Town of							
Comcast	State	$ 8,795	General Fund	General fund appropriations - Police protection, Fire protection, Administration & Parks.	5%	10/9/90	Ordinance No. 1990-9
Georgetown, Town of							
Time Warner Cable	State	$ 34,875	General Fund	The fees were used to support town government, police, etc.	3%	9/26/00	No Answer
Gibson County							
Time Warner Cable	State	$ 5,914	Gibson County General Fund	Gibson County General Fund expenses.	3%	1985	Franchise Agreement
New Wave	State	$ 477					
Goodland, Town of	No Fees Collected						
Grabill, Town of							
Mediacom	State	$ 1,131	General Fund	The funds support efforts of the local fire department and clerk's office.	No Answer	No Answer	No Answer
Grant County	No Fees Collected						

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Green County							
Suddenlink Communications	State	$ 2,572	County General Fund	County General Fund expenses as appropriated and approved by the Greene County Council and DLGF.	3%	5/7/84	Ordinance No. 5-84
Comcast Cable	State	$ 12,419					
NewWave Communications	State	$ 1,429					
Greencastle, City of							
Cinergy Metronet	State	$ 46,391	Fund 101- General Fund	General Operations of the City.	5%	2004	Contract
Comcast	State	$ 54,333				11/3/97	
Greendale, City of							
City of Greendale	State	$ 21,498	General Fund	General Fund - Personnel, Supplies & Services	3%	3/5/96	By Contract/ Agreement
Greenfield, City of							
Comcast	State	$ 135,358	Info Tech Franchise Fees	Used to fund our information technology department.	5%	5/23/85	Ordinance No. 1985-10
Indiana Bell	State	$ 53,687					
American Tower	State	$ 9,284					
Central Indiana Communications	State	$ 1,831					
Greensboro, Town of							
Comcast	State	$ 522	General Fund	Utility bills.	3%	Unknown	Unknown
Greenville, Town of							
Time Warner Cable	State	$ 17,420	General Fund	Marshal Salaries	3%	12/12/89	Ordinance No. 1989-T-04
Griffin, Town of							
Smithville Communications Inc.	State	$ 118	General Fund	To increase revenue in General Fund at this time.	No Answer	No Answer	No Answer
Hagerstown, Town of							
Comcast	State	$ 25,769	General Fund	Emergency services, administration, and operations.	5%	10/4/04	Ordinance No. 7-2004

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Hamilton County	No Fees Collected						
Hamilton, Town of							
Mediacom	State	$ 11,454	General Fund	Services, utilities, supplies, police supplies and equipment	3%	Unknown	No Answer
Hammond, City of							
Comcast	State	$ 590,812	General Fund - Cabel Franchise Fees	Right of way Maintenacne and right of way improvements.	3%	11/13/79	City Ordinance
Wide Open West	State	$ 193,816					
Indiana Bell/AT&T	State	$ 44,316					
Hancock County							
AT&T/ Indiana Bell	State	$ 34,268	County General Fund/ Franchise Fee Receipt Account	General Government Expenses	3%	5/19/97	Ordinance No. 1997-5F
Brighthouse Networks	State	$ 7,184					
Comcast	State	$ 78,809					
Central Indiana Communications	Local	$ 3,232					
Ninestar	Local	$ 22,756					
Hanover, Town of							
Time Warner Cable	State	$ 21,855	General Fund	Personal services, supplies, other services and charges.	No Answer	No Answer	No Answer
Hardinsburg, Town of	No Fees Collected						
Harmony, Town of							
NewWave Communications	State	$ 825	General Fund/ Cable TV Franchise	General Use	3%	2/5/01	Ordinance No. 1-2001
Harrison County							
Time Warner Cable	State	$ 10,250	County General Fund	Operation of Harrison County government.	5%	9/1/98 (?)	County Ordinance No. 11

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Hartford City, City of							
Comcast	State	$ 61,711	General Fund	Funds are deposited into General Fund and contribute to various departments, including the Police & Fire Depts. With the decline in property tax revenue, these fees help with public safety and are reported to the DLGF each year as misc. revenue within the General Fund.	5%	5/5/69	Ordinance No. 762
Hartsville, Town of							
Comcast	State	$ 3,826	Hartsville General Acct.	No Answer	No Answer	No Answer	No Answer
Hebron, Town of							
Comcast	State	$ 24,817	General Fund	Any purpose so appropriated by the Town of Hebron from the General Fund.	3%	4/27/82	Resolution No. 1982-7
Henry County							
Comcast	State	$ 52,134	General Fund	Misc. Expenses	3%	No Answer	No Answer
Central Indiana Communications	Local	$ 502					
NineStar	Local	$ 4,949					
Cinergy Metronet	Local	$ 10,004					
Highland, Town of							
Comcast Cable	State	$ 238,404	Corporation General Fund	It is treated as general revenue. The basis for the charge is that use of a public way for private purposes, require a type of rent for the use. This is different than fees for park use permits or how broadcasters compensate the US Government for use of the airways or spectrum by payment of a broadcast license fee. The amount of the fees have been used to reduce reliance on property taxes. The amount raised is nearly equal to the appropriation approved for the Fire Dept.	5%	3/27/00	Ordinance No. 1136
Indiana Bell Telephone Company (AT&T)	State	$ 133,845					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Hobart, City of							
Comcast of Illinois/ Indiana/ Michigan, Inc.	State	$ 341,797	City of Hobart General Fund	General city services to residents including Police, Fire, Sanitation and other services.	No Answer	No Answer	No Answer
Holton, Town of	No Fees Collected						
Homecroft, Town of							
Comcast	State	$ 1,644	General/ Cable TV Franchise	No Answer	No Answer	No Answer	No Answer
Huntertown, Town of							
Frontier Communications	State	$ 13,342	General Cable TV	Not applicable, money was retained in fund.	5%	12/23/08	Standard Rate
Comcast of Fort Wayne Limited	State	$ 26,564					
Huntingburg, City of							
Time Warner Cable	State	$ 35,598	General Fund	Police protection, Fire Department services, Safety, general administration - Property Tax replacement.	5%	12/6/06	State automatically terminated local agreements by operations of law on 12/6/06. Rate is same as negotiated by City.
Huntington, City of							
Metronet	State	$ 50,857	General Fund Cable Television	General appropriated budget purposes.	No Answer	No Answer	No Answer
Comcast	State	$ 32,902					
Huntington County							
Comcast	State	$ 26,390	General Fund-Cable TV	The franchise fees got receipted into the General Fund to be spent on county government expenses.	No Answer	No Answer	No Answer
CMN-RUS	State	$ 3,166					
Hymera, Town of							
Smithville Telephone	State	$ 172	Franchise-General Fund	General operations.	Unknown	Unknown	Unknown
New Wave Cablevision	State	$ 791					
Joink! Internet	State	$ 1,000					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Indianapolis, Consolidated City of; Marion County							
AT&T	State	$ 3,362,960	Fund #15001: Consolidated County General fund; aka "City General Fund"	All franchise fees were deposited into the General Fund, thus contributing to the funding of general needs and operating costs of our unit.	5%	1996	Established in the 1996 Cable Franchise Agreements
Bright House	State	$ 3,668,249					
Comcast	State	$ 4,806,455					
NineStar	State	$ 758					
Jackson County							
Comcast Financial Agency Corp.	State	$ 28,832	County General Fund	General County expenses.	3%	11/4/03	Ordinance No. 2003-9
Jamestown, Town of							
Full Choice Communications	State	$ -	No Answer	No Answer	No Answer	No Answer	No Answer
Jasonville, City of							
New Wave Cable Company	State	$ 10,306	General Fund	General Fund expenditures.	5%	1981	Ordinance No. 1980-4/1981-4
Jasper, City of							
Time Warner Cable	State	$ 116,620	General Fund	Franchise fees are deposited into the General Fund of the City. It is used to pay the expenses of operating the City of Jasper's government, police, fire, and street departments.	5%	6/7/03	Ordinance No. 2003-25
Perry Spencer Communications	State	$ 320					
Jasper County (via Phone Call)	No Fees Collected						
Jay County	No Fees Collected						

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Jefferson County							
Madison TV - Channel 15	Local	$ 975	No Answer	No Answer	$75 per meeting	2013	Contract for Jefferson County Council meetings
Madison TV - Channel 15	Local	$ 1,950					Contract for Jefferson County Commissioner meetings
Jeffersonville, City of							
Time Warner/Insight	State	$ 255,538	General Fund	These fees are used to offset shortfalls in revenue that arise from property tax reductions with circuit breakers.	No Answer	3/17/97	Resolution 97R-18
Indiana Bell	State	$ 12,749					
Jennings County							
Comcast Financial Agency	State	$ 12,748	911 Fund	E911-General, E911-Landline, E911-Wireless	5%	2006	Contract
Johnson County							
Comcast	State	$ 193,112	County General Fund	Help fund the County General budget.	3% & 5%	5% effective 7/8/13	Ordinance No. 2013-09 (Amended Ord. No. 95-22)
AT&T (Indiana Bell)	State	$ 91,448			3%	2006	State Franchise
CMN-RUS	State	$ 4,005			3%	7/31/1980	Ordinance No. 80-5 (Amended Ord. Nos. 80-8, 81-9, 82-4, 82-11, 95-22)
Kendallville, City of							
Mediacom Communications Corp.	State	$ 47,464	Cable TV Franchise Fee	Operational of General Fund.	5%	8/17/99	Resolution No. 793
Kennard, Town of							
Comcast	State	$ 824	General Fund	Paying bills for the town from the General Fund.	3%	Unknown	Unknown

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Kentland, Town of							
Media Communications	State	$ 9,024	Cable TV Franchise Fee	$0 spent.	5%	5/11/87	Ordinance No. 87-11-5
Kingman, Town of	No Fees Collected						
Kingsbury, Town of							
Comcast	State	$ 1,523	General Fund	Office supplies; Town Marshall maintenance supplies.	No Answer	No Answer	No Answer
Kingsford Heights, Town of							
Comcast	State	$ 7,931	General Fund	Any allowable general fund expenditure.	3%	6/27/84	per Town Council approval
Kirklin, Town of	No Fees Collected						
Knightsville, Town of							
New Wave	State	$ 732	General	Any upkeep of area surrounding lines around town.	1%	No Answer	No Answer
Knox, City of							
Mediacom	Local	$ 14,675	General Fund	It is receipted into our General Fund and is used for general operations of the city.	No Answer	No Answer	No Answer
Knox County							
Suddenlink Communications	State	$ 69	Cable TV Franchise Fees	Operating County General 1000-000-044300.	No Answer	No Answer	No Answer
Avenue Broadband Communications	State	$ 14,100					
NewWave Communications	Local	$ 4,756					
Kosciusko County							
Mediacom Communications Corp.	State	$ 25,059	County General/ Cable TV Fees	The fees are receipted into the General Fund to help sustain the State approved General Fund budget.	No Answer	No Answer	No Answer
Comcast	State	$ 39,469					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Kouts, Town of							
Mediacom	Local	$ 6,494	General Fund	Miscellaneous daily operations of town business	5%	6/20/05	Ordinance No. 2005-6
Laconia, Town of	No Fees Collected						
LaCrosse, Town of							
Mediacom Communications Corp.	State	$ 404	General Fund	Since this is put into the General Fund, it is the same fund in which I turn around and pay the Town's Mediacom invoice for Internet Service.	3%	10/8/08	Per Council approval (Section 4-1-2-17 of LaCrosse Municipal Code)
Lafayette, City of							
Comcast, Inc.	State	$ 374,231	General Fund	To help defray the expenses of the General Fund which includes Police, Fire, Animal Control and Sanitation. In addition, the City of Lafayette does not charge a collection fee for Sanitation services.	3%	7/7/93	Board of Works Resolution
LaGrange, Town of							
Mediacom Communications	Local	$ 6,230	General Fund	General Expenses	No Answer	No Answer	No Answer
Lagro, Town of	No Fees Collected						
Lake Station, City of							
Comcast of Illinois/ Indiana/ Michigan, Inc.	State	$ 111,972	General - Cable TV Franchise Fee	General budget for 2013	5%	7/1/83	Ordinance No. 82-18
Lakeville, Civil Town of							
Mediacom	State	$ 2,690	General Fund	Franchise fees are deposited into the General Account to add to expenses for water hydrant rental, street lights, expenses in the Town Hall and the Police Department expenses, etc.	3%	8/4/86	Ordinance No. 1986-3; Town of Lakeville Cable Television Franchise

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Lanesville, Town of							
Time Warner Cable	State	$ 17,997	General - Cable Franchise Fees	Street, sidewalk repair, supplies, maintenance.	5%	3/30/99	Negotiation and agreement.
LaPaz, Town of							
Mediacom	State	$ 1,716	General Fund	Town Hall expenses.	3%	8/2/99	Ordinance No. 09-05
Lapel, Town of							
Swayzee Telephone	Local	$ 2,902	General Fund	The franchise fee was used for operating the Town of Lapel.	3%	2004	Ordinance good for 15 years.
La Porte, City of							
Comcast	State	$ 254,361	General fund	Franchise fees are put into our General Fund which is utilized primarily for public safety (Police & Fire.)	No Answer	No Answer	No Answer
Lawrence County							
Comcast Financial Agency	State	$ 15,968	County General Franchise Fees	County Government General Expenditures	5%	Unknown	Set by State
RTC Communications	Local	$ 2,709			Unknown		Unknown
Smithville Communications	Local	$ 129			Unknown		Unknown
Lawrenceburg, City of							
Comcast	State	$ 15,914	Municipal Development Fund	To help fund the Municipal Development Fund budget.	3%	4/1/96	Ordinance No. 4-1996
Leavenworth, Town of (via phone call)	No Fees Collected						
Lebanon, City of							
AT&T	State	$ 18,915	General Fund	Miscellaneous	5%	8/9/93	Ordinance No. 83-15
Comcast	State	$ 91,026					
Metronet/CMN-RUS	Local	$ 73,990					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Leesburg, Town of							
Mediacom Communications Corp.	State	$ 3,108	General Fund	General Expenditures	$7.95 Monthly	9/14/81	Town Board & Mediacom
Leo-Cedarville, Town of							
Mediacom Communications	State	$ 5,314	General Fund Revenue Account	Fees were received in support of General Fund appropriations.	No Answer	No Answer	No Answer
Lewisville, Town of							
Comcast of Illinois/ Indiana/ Ohio, LLC	State	$ 1,680	General-Cable TV Franchise	To help fund General Fund	3%	Unknown	Unknown
Liberty, Town of	No Fees Collected						
Ligonier, City of							
Mediacom LLC	State	$ 1,292	General Fund	No Answer	3%	8/9/99	Resolution No. 08-09-99
Ligtel Communications Inc. dba LigTV	State	$ 4,757					
Lizton, Town of							
Smithville Cable	State	$ 1,595	General Fund	Provide miscellaneous revenue to support the General Fund budget.	No Answer	No Answer	No Answer
Brighthouse	State	$ 1,129					
Logansport, City of							
Comcast	State	$ 154,141	General Fund / TV Cable	General Fund	5%	12/22/03	Ordinance No. 2003-28
Long Beach, Town of							
Comcast	State	$ 27,690	General Fund	General Fund Expenses	3%	3/8/82	Ordinance No. 8203
Loogootee, City of							
New Wave Communications	State	$ 5,994	General Fund	No Answer	3%	9/1/11	No Answer
Lynn, Town of							
Comcast	State	$ 8,589	No Answer	No Answer	5%	9/7/87	By ordinance

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Lyons, Town of							
Comcast	State	$ 1,875	General Fund	Enforcement of ordinances to keep right of ways clear, etc.	3%	10/12/99	Ordinance No. 1999-2
Mackey, Town of	No Fees Collected						
Macy, Town of (via phone call)	No Fees Collected						
Madison, City of							
Time Warner Cable	State	$ 68,591	General 101-494	General Budget	5%	1978	Contract
Madison County							
AT&T	State	$ 14,683	Madison County General Fund	Any expense from Madison County General Fund.	Unknown	Unknown	Unknown
Bright House	State	$ 9,055					
Central Indiana Communications	State	$ 56					
Comcast	State	$ 93,834					
NineStar	State	$ 3,115					
Markle, Town of	No Fees Collected						
Marshall County							
Mediacom Communications	State	$ 706	County General	General Fund purposes	3%	6/22/05	Franchise Agreement dated 6/22/05
Marshall, Town of							
Cable TV	State	$ 332	General Fund	Not used.	No Answer	No Answer	No Answer
Martin County							
Avenue Broadband Communications	State	$ 529	General Fund	Used to supplement the general fund in daily operations of the county which includes supplies, salaries, and other miscellaneous items.	3%	No Answer	Can't find document to confirm.
RTC Communications	State	$ 3,846					
NewWave Communications	State	$ 185					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Matthews, Town of	No Fees Collected						
McCordsville, Town of							
AT&T	State	$ 92	General Fund	Fees supported all General Fund appropriations.	3%	Various	Contract
Comcast	State	$ 9,391					
Ninestar Connect	State	$ 3,579					
Brighthouse Networks	State	$ 1,764					
Medaryville, Town of							
Mediacom Cable	State	$ 683	General Fund	Maintaining the town.	3%	No Answer	No Answer
Mentone, Town of							
Comcast	State	$ 5,815	General Fund	Operating Costs	No Answer	No Answer	No Answer
Merom, Town of	No Fees Collected						
Miami County (via email)	No Fees Collected						
Michiana Shores, Town of							
Comcast Financial Agency Corp.	State	$ 2,363	General-Cable Franchise	General Fund	Unknown	No Answer	No Answer
Michigan City, City of							
Comcast Cable	State	$ 429,351	General Fund	Operating expenses.	5%	8/12/05	Agreement between Comcast and Board of Public Works/Safety
Middlebury, Town of							
Comcast Cable Communications Group	State	$ 21,543	General Fund - Administrative / Cable Television Franchise	Since these funds are deposited into the General Fund, we do not have one specific item we used the funds for. However, the fees we received totally funded the Town's phone and cellular bills, paid for all the office supplies and repairs, postage, and cleaning supplies.	No Answer	No Answer	No Answer

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Middletown, Town of							
Comcast	State	$ 15,905	General Fund	General	5%	7/18/97	Franchise Agreement
Milford, Town of							
Mediacom	State	$ 1,202	General Fund	Anything that is lawful to use in General Fund.	1%	Unknown	Years ago it was presented to council and adopted.
Milltown, Town of	No Fees Collected						
Milton, Town of							
Comcast	State	$ 1,986	General Fund	To supplement General Fund.	3%	1/1/07	Mutual Agreement
Mishawaka, City of							
Comcast of Indiana/ Michigan, LLC	State	$ 226,439	General Fund	Miscellaneous revenue to the general fund - all expenses paid out of the general fund.	No Answer	No Answer	No Answer
Indiana Bell Tel. Co.	State	$ 45,554					
Mitchell, City of							
NewWave Communications	State	$ 822	No Answer	No Answer	No Answer	No Answer	No Answer
Monon, Town of							
Comcast	State	$ 5,031	General Fund	T.V. Cable	2%	5/3/88	Agreement/ Resolution with the Monon Town Council.
Monroe City, Town of							
New Wave Communications	State	$ 2,556	General Fund	No Answer	3%	No Answer	Agreement w/ cable company
Monroeville, Town of							
New Wave Communications	State	$ 1,262	General Fund	To fund the General Fund for all its intents and purposes.	No Answer	No Answer	No Answer

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Monterey, Town of	No Fees Collected						
Montezuma, Town of							
New Wave Communications	Local	$ 1,628	General Fund	Supplemented General Fund balance for various appropriations within the General Fund Budget.	3%	1/2013	Contract
Montgomery County							
Crawfordsville Electric Light and Power (Accelplus)	State	$ 579	County General	Accelplus - Basic Cable Services	No Answer	7/17/13	No Answer
Monticello, City of							
Comcast of Indiana/ Kentucky/Utah	State	$ 47,233	Fund 205- Sidewalk & Curb	The City of Monticello uses the franchise fees for annual sidewalks & curb maintenance. Our street superintendent provides a list of the sidewalks & curbs that need replaced annually to the city council for their approval. This is a great program/ service that the City of Monticello is able to provide to its residents because of the franchise fees we receive.	5%	November 2006	State issued
Montpelier, City of							
New Wave Communications	State	$ 1,639	General Fund	No Answer	3%	5/15/93	Ordinance No. 93-4

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Moores Hill, Town of							
Comcast	State	$ 3,161	Town of Moores Hill General Fund	Amounts are used to sustain local budget and have also been transferred to Rainy Day fund for necessary future budgetary needs regarding maintenance of right of ways. Capital improvement projects and short term improvements to roads.	3%	1982	Ordinance No. 1982-1 (current contract expires Nov. 2022)
Morgan County							
Endeavor	State	$ 9,506	Fund #1000 (General Fund)	Revenue for funding the General Fund.	No Answer	No Answer	All state issued, per Ms. Taber at IURC.
AT&T	State	$ 85,409					
Comcast (Insight) & Comcast	State	$ 62,763					
New Wave (formerly Charter)	State	$ 10,681					
Morgantown, Town of							
Avenue Broadband Communications	State	$ 1,514	General Fund	Misc. items	5%	4/23/97	Contract
Morocco, Town of (via phone call)	No Fees Collected						
Morristown, Town of (via email)	No Fees Collected						
Mount Vernon, City of							
Wide Open West	State	$ 20,072	General Fund	General operating expenses.	No Answer	No Answer	No Answer
Time Warner Cable	State	$ 32,546					
Mulberry, Town of	No Fees Collected						
Muncie, City of							
Comcast	State	$ 341,108	No Answer	No Answer	3%	4/11/01	Resolution No. 2002-2
AT&T	State	$ 416,786					
Munster, Town of							
Comcast	State	$ 253,722	Fund 247 Technology	Video franchise fees have been used in 2013 to fund all technology personnel, equipment, software, and maintenance of said equipment and software.	5%	12/20/82	Ordinance #727
Indiana Bell Telephone	State	$ 97,124					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Napoleon, Town of	No Fees Collected						
Nappanee, City of							
Mediacom Indiana LLC	State	$ 16,661	TV Cable Franchise Fees/General Fund	Offset General Fund expenses i.e. equipment, housing, power, software, manpower to run local cable information channel.	3%	6/20/00	Ordinance No. 1292
Nashville, Town of							
Avenue Broadband Communications	State	$ 2,784	General Fund	The franchise fees are deposited and expended out of our general fund. The Town of Nashville calculates our General Fund budget using these revenues as a source to help fund our public safety and public safety vehicles.	2%	9/8/81	Ordinance No. 1981-5
New Albany, City of							
Time Warner	State	$ 279,509	General Fund	To support the general operating funds of the City.	3%	1/3/77	Ordinance
AT&T	State	$ 93,220			5%	11/16/89	
New Carlisle, Town of							
Comcast	State	$ 11,406	General Fund	Fees are receipted into the General Fund which includes the Clerk-Treasurer's Dept., Marshal's Dept., Town Council, Parks Dept., Fire Dept., and Ambulance Dept. and are used for operation of those departments.	No Answer	No Answer	No Answer
New Chicago, Town of							
Comcast	State	$ 16,710	General Fund	The fees are used for misc. town expenses.	No Answer	No Answer	No Answer
New Harmony, Town of							
NewWave Communications	Local	$ 2,482	General Fund	Police & Fire protection.	No Answer	No Answer	No Answer

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
New Haven, City of							
Comcast Cablevision	State	$ 108,822	General Fund	This money will help fund our Emergency Services: Police, Fire, EMS, and Dispatch Center.	5%	6/24/97	Ordinance No. G-97-7
Frontier	State	$ 45,554					
New Palestine, Town of							
Comcast	State	$ 8,416	General Fund	Maintenance of streets, sidewalks, and police service to keep the liens protected.	3%	10/19/83	Ordinance No. 101983
Indiana Bell (AT&T)	State	$ 6,139			5%	7/19/10	AT&T requested
New Pekin, Town of							
Time Warner Cable	State	$ 5,797	General Fund	Police equipment, park security/updates, maintenance projects, and updates where needed.	5%	10/19/99	Resolution No. 1999-06
New Point, Town of (via phone call)	No Fees Collected						
Newton County							
Mediacom Communications Corp.	State	$ 15,807	Cable TV	Nothing was disbursed in 2013.	5%	11/5/85	Cable TV Ordinance
Newtown, Town of	No Fees Collected						
New Whiteland, Town of							
Comcast	State	$ 24,479	General Fund	The funds are used to fund the General Fund budgets (Administration, Police, Parks, Properties, Fire and Planning and Zoning). They are an important revenue stream for us especially since the huge loss taken with the property tax caps.	3%	10/18/88	Ordinance No. 713
Metronet	State	$ 1,192			5%	2013	Metronet established rate
Noble County	No Fees Collected						
Noblesville, City of							
Comcast	State	$ 143,949	General/ Franchise Fee/ Cable/Video	General operating expenses.	3%	No Answer	Ordinance
Indiana Bell	State	$ 94,215					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
North Judson, Town of							
Mediacom	State	$ 10,695	General/ Cable TV Franchise Fees	Maintain alleyways to ensure access by Mediacom service vehicles and other maintenance.	3%-Basic; 2%-All Additional	6/3/96	Contract
North Liberty, Town of							
Mediacom	State	$ 10,289	General Fund	Franchise fees are added to the other revenues of the town of North Liberty General Fund to pay police expenses, fire protection (hydrant rental), street lights, town hall expenses, etc.	3%	7/30/81	Ordinance No. 1981-5 (North Liberty Cable Television Franchise)
North Manchester, Town of							
Mediacom	State	$ 2,016	Sidewalk Replacement Fund	Franchise fees are used to pay for concrete and labor to replace residential sidewalks within the community.	3%	10/1/03	Resolution No. 3
Cinergy Metronet	State	$ 2,440				9/7/05	Agreement and council consensus
North Salem, Town of (via phone call)	No Fees Collected						
Oakland City, City of							
New Wave Communications	State	$ 11,930	Cable TV Revenue	ADA Compliance	No Answer	No Answer	No Answer
Odon, Town of							
New Wave Communications	Local	$ 1,788	General Fund	None were spent.	3%	No Answer	Per Ordinance
Suddenlink	Local	$ 1,177					
Ogden Dunes, Town of							
Comcast	State	$ 24,726	General Fund	General Fund is the primary fund used for the operations of the town.	No Answer	No Answer	No Answer
Ohio County							
Comcast	State	$ 860	General Fund	No Answer	No Answer	No Answer	No Answer

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Oolitic, Town of							
Indiana Bell	State	$ 692	General Fund	Various expenses from the General Fund. Nothing specific.	3%	12/6/06	Unknown
Comcast	State	$ 9,054					
Orestes, Town of							
Comcast of Illinois/ Indiana/ Ohio, LLC	State	$ 1,978	General Fund	General operations of the town.	5%	11/10/87	Ordinance No. 1479
Orleans, Town of							
Avenue Broadband Communications	State	$ 340	General Fund	Improvements to our communications system.	No Answer	No Answer	No Answer
Osceola, Town of							
Comcast of Indiana/ Michigan, LLC	State	$ 9,807	General Fund - Cable TV Franchise Fees	These payments are appropriated into the budget each year to pay for telephone, internet, and misc. expenditures.	3%	11/5/01	Per agreement signed by Council
Osgood, Town of							
Comcast of Indiana/ Kentucky/Utah	State	$ 5,361	General - Cable TV Franchise	Repair / Maintenance	3%	1/25/02	Resolution
Ossian, Town of							
Comcast	State	$ 11,719	General Fund	Day to day operations.	3%	6/1/81	Contract with cable company and Ordinance #81-2
Otterbein, Town of	No Fees Collected						
Owen County							
Endeavor Communications	State	$ 12,079	No Answer	County government.	3%	4/15/82	Ordinance No. 1982-2
Comcast Financial	State	$ 8,759					
Owensville, Town of							
Time Warner Cable	State	$ 14,399	General Fund	This franchise money goes into the general fund to help pay expenses associated with providing services to our community.	No Answer	No Answer	No Answer

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Oxford, Town of							
Full Choice Communications	State	$ -	No Answer	No Answer	0%	No Answer	No Answer
Paoli, Town of							
Avenue Broadband Communications	State	$ 584	General Fund	These fees are deposited into our General Budget to be used the following year to help fund the General Budget for Police, Volunteer Fire Dept. and Town.	$1.00 per subscriber or 1%.	9/4/96	Contract w/ Grantee passed in minutes
Paragon, Town of							
New Wave Communications	State	$ 571	General Fund	Used for but not limited to electricity, postage, repairs.	No Answer	No Answer	No Answer
Parke County							
Endeavor Communications	State	$ 2,773	General Fund (Yearly Lease/ Franchise Fee)	General Fund Revenue	5%	No Answer	State Certificate
Comcast	State	$ 490			5%		
Suddenlink	State	$ 289			3%		
NewWave Communications	State	$ 498			3%		
Pendleton, Town of							
Comcast	State	$ 78,191	General Fund	Operating expenses in the general fund.	5%	8/3/98	Resolution 1998-16
Perry County							
Comcast Cable	State	$ 1,046	County General Fund	County General Expenses	3%	9/21/92	Ordinance
PSC (Perry Spencer Communications)	Local	$ 8,398			4%	4/19/06	Ordinance No. O-C-06-5
Perrysville, Town of							
NewWave Communications	State	$ 691	General Operating Fund	Operating Expenses	3%	3/22/89	Ordinance No. 89-1

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Peru, City of							
Comcast	State	$ 92,261	25%- Cable Television Fund #265; 75% - General Fund #101	Franchise fees received by the unit were utilized to update the sound and video equipment in Council Chambers and to update sound and video equipment at Peru High School.	No Answer	No Answer	No Answer
Petersburg, Town of							
NewWave Communications	State	$ 3,234	General Fund	Deposited into the General Fund of the City of Petersburg. No particular spending for this.	No Answer	No Answer	No Answer
Pines, Town of							
Comcast Cable	State	$ 7,817	General Fund - Cable TV Franchise	Used for general purposes.	No Answer	No Answer	No Answer
Pittsboro, Town of							
Bright House Networks	State	$ 14,620	General Fund	Funds the budget	3%	1/9/92	Franchise Agreement
Plainfield, Town of							
Bright House	State	$ 10,345	Cable TV Franchise, General Fund	Maintenance and improvements of right of ways.	No Answer	No Answer	No Answer
Comcast	State	$ 69,063					
Indiana Bell	State	$ 158,620					
Plainville, Town of							
RTC Communications	State	$ 1,406	General Fund	Utilities and organizational fees.	3%	No Answer	No Answer
New Wave	State	$ 395					
Sudden Link	State	$ 522					
Poneto, Town of							
Mediacom Communications Corp.	State	$ 168	General Fund	Office supplies (computer printer).	No Answer	No Answer	No Answer
Portage, City of							
Comcast	State	$ 464,580	Cable TV Franchise Fund	Employee medical benefits.	No Answer	No Answer	No Answer

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Porter County							
Mediacom Communications Corp.	State	$ 340	No Answer	No Answer	3%	9/1/95	County Ordinance No. 95-14
Comcast Financial Agency Corp.	State	$ 586,972					
Porter, Town of							
Comcast	State	$ 72,103	General Fund	To assist general services and expenditures to maintain public right of way of town property.	5%	9/26/95	Ordinance No. 95-13
Portland, City of							
Comcast of Illinois/ Indiana/Ohio	State	$ 50,738	General Fund	There is no specific designation in the ordinance. The franchise fee helps offset the tax levy for the citizens of Portland.	5%	5/3/04	Ordinance No. 2004-7
Benton Ridge Telephone Company	State	$ 325					
Posey County	No Fees Collected						
Poseyville, Town of							
Time Warner	State	$ 4,971	General Fund	General obligations.	No Answer	No Answer	No Answer
Prince's Lakes, Town of							
New Wave Communications	State	$ 1,960	General Fund	These funds help to supplement our General Fund. We are on a very tight budget and these funds would be greatly missed if not received.	3%	10/15/84	Ordinance No. 144
Princeton, City of							
Time Warner Cable	State	$ 119,297	General Fund - Cable TV Receipts	Fees are used to support our general fund to provide services for our citizens.	5%	Unknown	Ordinance Nos. 1986-15, 1973-6, 1984-4, 1998-5, 2001-2
Pulaski County	No Fees Collected						
Putnam County							
Comcast	State	$ 3,041	General Fund	No Answer	No Answer	No Answer	No Answer
Endeavor Communications	State	$ 34,495					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Randolph County							
Comcast Cable	State	$ 1,581	County General-Cable TV Receipts	General income	5%	11/25/91	Ordinance No. 91-18
Time Warner Cable	State	$ 1,676			3%	3/21/05	Ordinance No. 2005-7
Redkey, Town of							
Comcast of Illinois/ Indiana/Ohio	State	$ 9,763	General Fund/ Cable TV Franchise Fees	Daily operations within the town of Redkey.	5%	11/30/91	Ordinance No. 1991-7
Remington, Town of							
Comcast	State	$ 5,940	General Fund	General Fund expenditures include office supplies; gas/electric payments; phones, internet payments; insurance, repair, maintenance supplies & service to equipment; buildings & structures; trash removal, and misc. general supplies and equipment purchases.	No Answer	No Answer	No Answer
Reynolds, Town of							
Comcast	State	$ 1,741	General Checking Account	No Answer	No Answer	No Answer	No Answer
Richmond, City of							
Comcast Cable	State	$ 352,904	General Fund	40% passed through to WCTV Local Access Television; 60% receipted to General Fund to support maintenance of right-of-ways that are used by cable company.	5%	11/20/91	Board of Works approved agreements.
Riley, Town of							
Time Warner Cable	State	$ 5,510	General Fund	Electric heating and general expenses.	3%	No Answer	Unknown
Ripley County							
ETC	State	$ 27,752	911	Fund 911 services.	3%	Unknown	Unknown
Comcast	State	$ 153					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Rising Sun, City of							
Comcast Financial Agency Corp.	State	$ 9,035	No Answer	General government.	3%	2/3/94	Ordinance No. 1994-1
River Forest, Town of							
Indiana Bell Telephone	State	$ 179	General Fund	Through the General Fund.	5%	No Answer	Before my time.
Roachdale, Town of	No Fees Collected						
Rochester, City of							
Comcast Cable	State	$ 17,986	General Fund	We utilize these fees to pay for the general operation of the City and wages.	No Answer	No Answer	No Answer
Rochester Telephone Company	Local	$ 19,998					
Rockport, City of							
Time Warner Cable TV	State	$ 13,536	General/Other	This money is included in our revenue that we submit to the DLGF each year to establish our budget.	No Answer	No Answer	No Answer
Rockville, Town of							
New Wave Communications	State	$ 11,699	General/ Cable/ TV Franchise	The funds were deposited into the General Fund and used for various expenses including but not limited to: fire department dispatchers, police officer salaries and pension, and health insurance for both.	No Answer	No Answer	No Answer
Rome City, Town of							
Mediacom	State	$ 8,677	General Fund	Electric, telephone, computer, police department repairs and supplies, legal fees, engineer fees, building inspection fees.	3%	August 2006	Franchise Agreement
Roseland, Town of							
Comcast	State	$ 4,520	General Fund - Franchise Fees Account	Utility payments.	3%	Pre-7/1/06	Info not found in ordinance book.
Indiana Bell	State	$ 2,086			5%	Post-6/30/06	

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Rossville, Town of							
Comcast Cable Communications	State	$ 4,281	General Fund	The funds were used to provide revenue for 2013 General Fund budget as the State of Indiana continues to cut our revenue.	No Answer	No Answer	No Answer
Rush County	No Fees Collected						
Rushville, City of							
Comcast of Indiana/ Kentucky/Utah	State	$ 29,267	General Fund/Cable Franchise Fee	The funds are used towards daily expenses incurred in the general fund. (salaries, insurance, equipment, supplies)	3%	5/25/05	Per agreement
Russellville, Town of	No Fees Collected						
Saint Joe, Town of							
Mediacom Communications Corp.	State	$ 742	General Fund	No Answer	No Answer	No Answer	No Answer
Salem, City of							
Time Warner Cable	State	$ 29,285	General Fund	Operations of city services (Fire, Police, & other services.)	3%	5/5/80	Ordinance No. 392
Saltillo, Town of							
Time Warner Cable	State	$ 194	General Fund	General repairs and utilities.	No Answer	No Answer	No Answer
Sandborn, Town of							
Suddenlink Communications	State	$ 419	General Fund	General miscellaneous purchases	No Answer	No Answer	No Answer
NewWave Communications	State	$ 750					
Santa Claus, Town of							
PSC (Perry Spencer Communications)	State	$ 6,691	Gen/Cable TV Franchise	The income from the franchise fees is deposited into the General Account to help off-set funds that are not funded through the taxes.	3%	12/20/04	Agreement
Schneider, Town of							
Mediacom Communications	State	$ 1,942	General Fund	Any legal governmental activity or purpose.	3%	2009	Ordinance No. 1989

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Scottsburg, City of							
Time Warner	State	$ 49,165	General Fund	No Answer	5%	12/15/03	Ordinance No. 2003-27
Sellersburg, Town of							
Indiana Bell	State	$ 4,910	General Fund Cable & Video Distribution	General Fund Expenses	3%	7/13/98	Resolution #1998-50
Time Warner	State	$ 26,403					
Selma, Town of							
Indiana Bell	State	$ 1,028	General Fund	The purpose of these funds are to offset the cost of the police department.	5%	1998	Ordinance
Seymour, City of							
Comcast	State	$ 36,763	General Fund	General municipal expenses.	3%	11/3/89	Ordinance No. 26 (1989)
Cinergy	State	$ 62,621					
Shamrock Lakes, Town of							
Comcast of Illinois/ Indiana/ Ohio, LLC	State	$ 1,641	Shamrock Lakes Accumulative Fund	General expense.	5%	2/8/04	Contract
Shelburn, Town of							
Suddenlink Communications	State	$ 1,290	General Fund	The fees were deposited into the General Fund of the town. The franchise fees were used to pay lawfully incurred bills of the town of Shelburn.	No Answer	No Answer	No Answer
NewWave Communications	State	$ 2,573					
Shelby County							
Comcast	State	$ 33,737	County General Fund	Fund County General Fund - Budget	5%	11/5/73	Ordinance
Central Indiana Communications	State	$ 1,251					
Indiana Bell	State	$ 5,027					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Shelbyville, City of							
Comcast	State	$ 102,413	General Fund	The majority of the City's Budget is appropriated from the General Fund. This includes the budgets of departments responsible for the City's public right-of-way, including but not limited to, the Board of Works, Street Dept., Engineering Dept., and Planning Dept. The specific monies from the franchise fees are not distinguished from other monies after entering the General Fund.	5%	7/1/06	I.C. 8-1-34-24
Indiana Bell	State	$ 28,658					
Sheridan, Town of							
Swayzee TV	State	$ 3,338	No Answer	No specific purpose other than Miscellaneous Expenses.	3%	7/9/80	Ordinance No. 1980-1
Shipshewana, Town of							
New Paris Telephone/ Quality Cablevision	State	$ 10	General Fund	Any legal use for distribution of monies from the General Fund.	4%	5/26/88	Ordinance No. VI-E-1-a
Silver Lake, Town of							
Comcast Communications	State	$ 2,821	General Fund	Any expenditures deemed necessary	5%	10/4/98	Ordinance No. 98-10-04
South Bend, City of							
Comcast Financial Agency Corp.	State	$ 736,071	General Fund	Franchise fees are spent for General Fund Expenditures such as general government, Code Enforcement & public safety. In addition, $43,000 was spent on local public access services.	5%	1/1/09	Local Agreement with Comcast
Indiana Bell Tel. Co., Inc. (AT&T)	State	$ 191,529				10/19/98	State Franchise Law
South Whitley, Town of	No Fees Collected						

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Speedway, Town of							
Indiana Bell (AT&T)	State	$ 72,909	General/Cable TV Franchise Fee	Operation of the Town of Speedway Cable Television Channel.	$5 per customer	7/1/94	Ordinance No. 834
Comcast	State	$ 113,411					
Southport, City of							
Comcast	State	$ 18,547	General Fund	Planning services and professional fees for city infrastructure maintenance and improvements	No Answer	No Answer	No Answer
Indiana Bell	State	$ 7,581					
Spencer County							
Time Warner Cable	State	$ 3,495	County General Fund	No Answer	3%	1/18/05	Ordinance No. 2005-01
PSC (Perry Spencer Communications)	State	$ 3,043					
Spencer, Town of	No Fees Collected						
Spiceland, Town of							
Comcast Communications	State	$ 2,236	General Fund	General maintenance of the town.	3%	8/8/83	Per ordinance
Spring Hill, Town of	No Fees Collected						
Starke County							
Mediacom	State	$ 10,305	General Fund	Supporting revenue to assist the County's tax levy to fund the County General 2013 budget.	3%	4/19/99	Executive Ordinance No. 1999-01-01
Stilesville, Town of							
New Wave	Local	$ 269	General Fund	For any monthly bill that could benefit in paying or help to pay.	No Answer	No Answer	No Answer
Stinesville, Town of							
Comcast Financial Agency Corp.	State	$ 744	General Fund	Used to cover monthly bills.	3%	10/24/07	Carried over
St. John, Town of							
Comcast Cable	State	$ 197,379	CATV Franchise	No Answer	5%	3/8/93	Ordinance No. 912 (Cost of Service Analysis)

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
St. Leon, Town of							
Enhanced Telecommunications	State	$ 969	General Fund	Town General Fund operations.	No Answer	No Answer	No Answer
Straughn, Town of							
Comcast Cable	State	$ 825	General Fund	Any expenses payable from General Fund as approved by the State Board of Accounts.	No Answer	No Answer	No Answer
Sweetser, Town of							
Oak Hill Cablevision	State	$ 2,052	General Fund, Revenue, Cable Franchise Fees	Spent from General Fund	3%	3/24/83	Ordinance No. 1983-3
Switz City, Town of							
Comcast Financial Agency Corp.	State	$ 926	General Fund	Used to supplement our annual budget for our general fund.	3.5%	10/1/01	Resolution No. 2001-03
Switzerland County	No Fees Collected						
Sydney, Town of	No Fees Collected						
Syracuse, Town of							
Mediacom	State	$ 13,599	General Fund	General government purposes, i.e. Police, streetlights, trash pickup.	No Answer	No Answer	No Answer
Tell City, City of							
Comcast Cable Communications, Inc.	State	$ 46,636	General Fund	Cable Franchise Fee supports Board of Public Works & Safety efforts in maintenance of street & alley, road materials, fuel, insurance, equipment, and continuing education/training of police, dispatchers, and volunteer fire department to better protect and serve.	5%	7/7/85	Ordinance No. 617
Perry-Spencer Communications, Inc. d/b/a PSC	State	$ 170			0%	Not yet determined	Test Phase
Terre Haute, City of							
Time Warner Cable	State	$ 829,228	General Fund	Operating cost - General Fund	5%	2/13/06	Special Ordinance No. 72, 1983
NewWave Communications	State	$ 8,772					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Thorntown, Town of							
Comcast Cable	State	$ 1,030	Town of Thorntown General Fund	To support the Town of Thorntown's Town Budget and used for town bills.	No Answer	No Answer	No Answer
Tipton, City of							
Comcast	State	$ 45,755	General Fund (CATV fees)	Funds are receipted into the general operating fund.	5%	8/12/02	Addendum to franchise agreement of 1987.
Topeka, Town of	No Fees Collected						
Trafalgar, Town of	No Fees Collected						
Ulen, Town of							
Comcast	State	$ 1,485	General Fund	Not specifically allocated	5%	10/29/02	Ordinance No. 2002-1
Union City, City of							
Time Warner	State	$ 19,031	General Fund	We donate a portion of our receipts to our local school corporation's cable television station which has been in existence since 1972. This money is used for necessary video equipment. The station televises our Council meetings as well as other public meetings. The remainder of the fees are used for general expenses, as needed.	3%	9/11/00	Resolution 00-R-4
Union County (via Email)	No Fees Collected						
Uniondale, Town of							
Mediacom	Local	$ 361	General Fund	General Budget	No Answer	No Answer	No Answer
Upland, Town of							
Comcast Cable	State	$ 15,808	General Fund	General expenses - payroll, utilities, etc.	5%	12/7/07	Franchise Agreement
Utica, Town of							
Time Warner Cable	State	$ 6,640	General Fund	All funds received were used for General Fund purposes.	3%	3/11/08	Ordinance No. 2008-01

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Valparaiso, City of							
Comcast Cable Communications Group	State	$ 408,816	General Fund	Support of General Fund Departments	No Answer	No Answer	No Answer
Vanderburgh County							
Time Warner	State	$ 432,124	General Fund	Helps support budget for General Fund.	5%	1998	Ordinance
New Wave	State	$ 297				6/6/06 & 11/13/07	Resolution & Extension
Wide Open West (WOW)	State	$ 262,876				10/12/98 & 9/26/06	Agreement & Resolution
Veedersburg, Town of							
NewWave Communications	State	$ 1,610	General-Franchise Fee	Town operations.	2%	1/19/82	Ordinance No. 02-82
Vermillion County	No Fees Collected						
Vernon, Town of	No Fees Collected						
Vevay, Town of							
Town of Vevay	Local	$ 8,178	General Fund	Part of General Fund budget.	3%	Unknown	Unknown
Vigo County	No Fees Collected						
Vincennes, City of							
Cinergy Metronet	State	$ 63,264	101 City's General Fund	All fees were placed in the General Fund. The General Fund is used for the operations of the city.	3%	9/1999	City Ordinance
NewWave Communications	State	$ 47,155					
Wabash County							
Cinergy Metronet	State	$ 294	County Treasurer	Part of the county revenue generated to support the General Fund.	5%	No Answer	State Regulated
Wakarusa, Town of							
Comcast of Indiana/ Michigan, LLC	State	$ 6,386	General Fund	Added to operating balance.	3%	5/5/97	Franchise Agreement/ Contract

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Walkerton, Town of							
Mediacom	State	$ 4,967	Electric	Needed supplies for maintenance of poles. Wages, benefits, and any necessary items needed for repairs.	3%	8/8/96	Signed Agreement between town and Mediacom
Wanatah, Town of							
Mediacom Communications Corp.	State	$ 1,234	General Fund - Cable Franchising Fee	All fees are deposited into the general fund and used for accounts payable.	3%	8/8/96	by Council approval
Warren County	No Fees Collected						
Warrick County							
Sigecom LLC (WideOpenWest)	State	$ 140,176	General Fund	The fees go into the General Fund cash balance and are not used for any specific purpose. The offices and departments funded by the General Fund may ask for additional appropriations from the cash balance.	5%	4/14/10	State Franchise Authority
Time Warner Cable	State	$ 47,133			5%	1993	
Perry-Spencer Rural Tel. Cooperative (PSC)	State	$ 124			3%	1/1/08	
Warsaw, City of							
Comcast	State	$ 53,649	General Fund	Maintenance and improvements of sidewalks and curbing.	3%	12/17/99 and June of 2006	Ordinance No. 99-12-2 & State Agreement
Mediacom	State	No fees have been paid to the City from Mediacom. Information sent to Mediacom in June of 2013 on Comcast's agreement so they would know what to use as their basis.			Should be 3%	2/27/13	State Agreement

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Washington County							
Time Warner	State	$ 4,328	County General - Cable Franchise	Put in County General Fund	5%	6/21/99	Ordinance
Waterloo, Town of							
Mediacom Communications Corp.	State	$ 7,585	General Fund	Funds were used for the General Fund budget to help with police and fire expenditures.	3%	12/13/05	Cable Television Franchise Agreement
Wayne County							
Comcast Cable	State	$ 30,282	County General	To help fund local public access TV station WCTV ($18,000) and balance in general fund to support maintenance of infrastructure used by cable company.	4%	3/1/04	Negotiated as part of revenue through July 6, 2017
Waynetown, Town of							
Full Choice Communications	State	$ -	The funds would be deposited into the General Fund	The Town of Waynetown received a check on 3/18/2009 for $197.78 for 2008; however, has NOT received any franchise fees since then for the years 2009, 2010, 2011, 2012, or 2013. Was informed on 12/23/2013 that Full Choice is discontinuing services as of 1/1/2014 in this community.	2%	6/7/07	By a Franchise Grant Agreement
West Baden Springs, Town of							
Avenue Broadband Communications (NewWave)	Local	$ 2,048	General Fund	Fiber Optic - Sprudel Park	3%	10/4/79	Ordinance Nos. 79-2 & 93-12
Wells County							
Mediacom	State	$ 1,842	Cable Fees	General County Business	3%	11/29/93	Ordinance No. 1993-10
Comcast	State	$ 3,328					
Craigville Telephone	State	$ 3,221					

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
West College Corner, Town of							
Time Warner Cable	State	$ 3,795	No Answer	General Fund	No Answer	No Answer	No Answer
West Lafayette. City of							
Comcast of Illinois/ Indiana/ Ohio, LLC	State	$ 169,009	General Fund	City operations, including services for maintenance of right of ways (Engineering), City administration, and public safety (Police & Fire.)	3%	2/5/96	Ordinance No. 34-95
West Terre Haute, Town of							
Time Warner Cable	State	$ 12,251	General Fund	Regular General Fund expenditures.	No Answer	No Answer	No Answer
Westville, Town of							
Mediacom Communications Corp.	State	$ 2,491	General Fund	To help fund general fund operations (police department, fire department contract, salaries, general operations.)	No Answer	No Answer	No Answer
Wheatfield, Town of							
Comcast	State	$ 816	General Fund	The General Fund is used to pay salaries of police officers and employees, supplies, computer services, insurance, services, utilities, legal fees, etc.	3%	7/18/85	Ordinance No. 2-85
White County							
Comcast	State	$ 33,963	General; Misc Licenses, Permits & Franchise	General Fund expenditures	5%	8/15/88	County Ordinance No. COM-3-1988
Whiteland, Town of							
Comcast	State	$ 25,421	General Fund	General expenses to run local government.	3%	1981	Ordinance No. 81-1
Metronet	State	$ 225			5%	2006	HEA 1279
Whitestown, Town of							
Brighthouse Networks	State	$ 13,131	General; Franchise Fees Revenue Acct	Not yet spent; will go towards right-of-ways. (Note: $ amount received was based on the incorrect assumption of 3% fees, waiting to receive the other 2%.)	5%	2/28/07	IC 8-1-34.24 (a)(2)(a)

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Whitewater, Town of (via phone call)	No Fees Collected						
Whiting, City of							
Comcast	State	$ 43,009	General Fund Civil City	General operating expenses for the civil city.	5%	4/4/00	Ordinance No. CC-2000-1592
Whitley County							
Comcast	State	$ 1,456	#1000 County General, receipted under Franchise Fees	Not appropriated.	3%	2006	State Regulations
Mediacom	State	$ 4,010					
Wilkinson, Town of							
Cable Central Indiana	Local	$ 287	General Fund	For General Fund use.	3%	1/1/13	No Answer
Comcast	State	$ 1,024					
NineStar	Local	$ 150					
Williams Creek, Town of							
Comcast	State	$ 7,183	General Fund	Law Enforcement	No Answer	No Answer	No Answer
Winamac, Town of	No Fees Collected						
Winchester, City of							
Comcast of Illinois/ Indiana/ Ohio, LLC	State	$ 40,233	General Fund	Technology	5%	3/20/00	Ordinance No. 2000-2
Winfield, Town of							
Comcast	State	$ 33,618	General Fund	The Town of Winfield utilizes video franchise fees to assist in maintaining and lighting the public right of ways.	5%	6/15/04	Contract
AT&T (Indiana Bell)	State	$ 11,597					
Wingate, Town of	No Fees Collected						
Winona Lake, Town of	No Fees Collected						

Submitting Entity	Type of Franchise	Amount Received (rounded)	Fund Account(s)	Purpose of Funds Used	Rate		
					% Charged	Date Set	Establishment Method
Winslow, Town of							
New Wave Communications	State	$ 4,731	Town of Winslow General Fund	Salaries, repairs, supplies.	3%	9/24/04	Resolution
Wolcott, Town of							
Comcast	State	$ 2,975	General Fund	Salaries, employee benefits, municipal and street operating expenses, etc. The franchise fees are deposited in the town's General Fund, which are monies to run the municipality.	2%	8/1/95	Ordinance No. 95-2
Wolcottville, Town of							
Mediacom	State	$ 1,133	General Fund/ Cable Annual & Use Fees	Supplies, utilities, misc. expenses, insurance, & police supplies.	3%	9/12/02	By franchise agreement.
Woodburn, City of							
Comcast Cable	State	$ 6,040	General Fund	It is appropriated along with the other estimated revenue to pay general fund expenses.	3%	9/15/97	Contract
Woodlawn Heights, Town of							
Indiana Bell Telephone	State	$ 232	General Fund	Public Safety	No Answer	No Answer	Unknown
Yorktown, Town of							
Comcast	State	$ 59,129	General Fund	The purpose of these funds are to offset the cost of funding the police department.	3%	1997	Ordinance
Indiana Bell/AT&T	State	$ 8,916			5%	1997	Ordinance
Zionsville, Town of							
Brighthouse Networks	State	$ 40,770	General Fund	General operations of the Town.	3%	4/5/82	Ordinance No. 82-3 (Omega Cable of Zionsville)
AT&T (Indiana Bell)	State	$ 25,493					
Inside Connect Cable	State	$ 157					
TOTAL FEES COLLECTED		$ 38,260,072					

Water & Wastewater Report

Executive Summary

The Water and Wastewater section of the Annual Report discusses key issues facing the industry. These topics include increasing costs due to significant infrastructure needs, steps being taken to assist small utilities, and funding challenges. This section also highlights actions taken by the Commission to address specific challenges associated with these topics. In addition, an overview of the industry, its operations and costs, and related regulatory initiatives are included. Concurrent with this Annual Report, the Commission separately submits its analysis and findings for the 2014 Water Utility Resource Report, pursuant to Ind. Code 8-1-30.5.

Infrastructure Needs

According to the U.S. Environmental Protection Agency's (U.S. EPA) "2011 Drinking Water Infrastructure Needs Survey and Assessment" and its "2008 Clean Watersheds Needs Survey," Indiana's water and wastewater infrastructure needs total $14 billion over the next 20 years. Meeting these needs will likely result in significant rate increases. According to the U.S. Bureau of Labor Statistics, water rates are rising more than electricity or natural gas rates and rising much faster than the overall consumer price index (CPI). For example, from 2003 to 2013, water and wastewater rates rose 5.98% per year while the CPI only rose 2.40% per year. The primary drivers of these rate increases include: 1) replacement of aging infrastructure; 2) compliance with U.S. EPA standards, such as water quality and wastewater effluent; 3) growing demand; and 4) the relocation of facilities for city and state road projects. In terms of wastewater needs, Indiana reported one of the highest increases among all states since 2004, led by pipe repairs and replacement (up 233%), wastewater treatment (up 224%), and nonpoint source pollution control (up 91%).

Assistance for Small Utilities

Small water and wastewater utilities are prevalent in Indiana. While not all small utilities are troubled, they are more at risk due to their size and lack of management expertise. Environmental liabilities, infrastructure breakdown due to a lack of investment, or financial mismanagement can have a greater impact on a small utility. Recognizing this, the Commission has

continued its efforts to assist the small utilities still under its jurisdiction. The Commission has proactively taken steps to improve the management and operations of regulated utilities by offering training workshops, assisting with rate application filings, proposing alternative regulatory procedures, and providing resources aimed at improving their financial, managerial and technical abilities. The Water/Wastewater Division expanded its review of each regulated utility's annual report this year. As a result of this review, 14 utilities were contacted regarding reported operating losses and 10 were sent the IURC's small utility rate application. The utility's financial and tariff information was included in the application and assistance was provided when necessary to complete the forms. Subsequently, five of the utilities have petitioned the Commission for rate relief, which in turn can help the utility to remain financially viable and continue to serve its customers.

Funding Challenges

Under current federal rules applicable to the funding process, investor-owned and not-for-profit utilities are disadvantaged, because they have limited access to low-cost debt. As a result, costs to serve those customers increase, despite the fact that all customers pay federal income tax to support the funding programs. To gain access to additional State Revolving Loan Fund (SRF) funding, several not-for-profit utilities have converted to water authorities[1] to avoid the volume cap for private activity bonds (PABs).

Recognizing this is an issue, public officials (such as the National Association of Regulatory Utility Commissioners) have taken action, supporting federal legislation to remove the volume cap for water and wastewater utilities. In June 2014, President Obama signed the Water Resources Reform and Development Act into law which established a Water Infrastructure Finance and Innovation Act (WIFIA) pilot program to help water and wastewater utilities finance large-scale projects.

[1] Ind. Code § 13-18-21-5

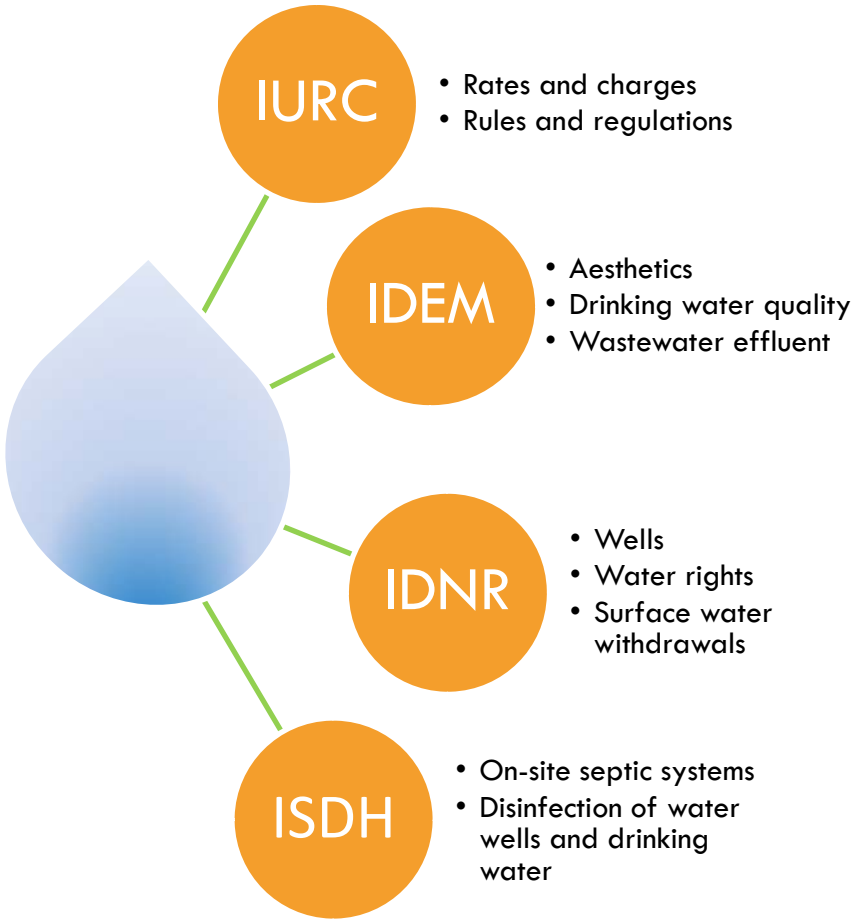
Overview

Industry Structure

Utilities providing water and wastewater service to Hoosiers are organized in a variety of legal forms: investor-owned utilities, municipal utilities, not-for-profit utilities, regional water/wastewater districts, water authorities, and conservancy districts. Although all water and wastewater utilities are overseen by the U.S. EPA, not all water and wastewater utilities are regulated by any one state agency. In fact, jurisdiction varies by the issue at hand and the legal form of the utility.

For example, the U.S. EPA regulates water pollution and the overall quality of drinking water. State agencies, like the Indiana Department of Environmental Management (IDEM), then enforce those rules and regulations. Consequently, coordination between agencies is of the utmost importance.

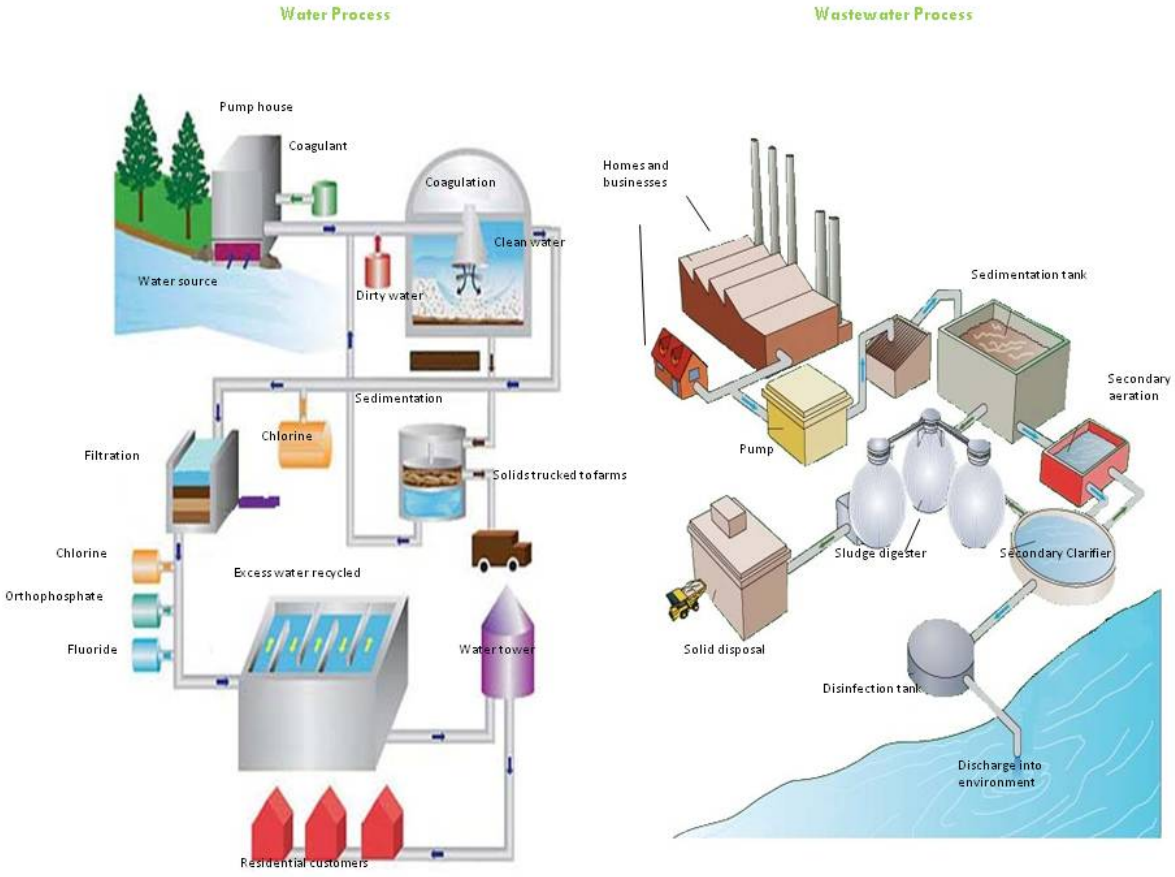
Unlike other agencies that handle issues related to water quality, health or aesthetics, the Commission serves as the economic regulator. However, it only has jurisdiction over certain utility types.



How it Works

Before water is ready for retail use, it usually must be treated to make it drinkable. Similarly, wastewater must be treated before it can be released back into the environment. Both processes are shown in Figure 1.

Figure 1



Jurisdiction

The legal form of a utility determines the existence and extent of the Commission's jurisdiction. While many water and wastewater utilities were initially regulated, state statute allows certain utility types to withdraw from jurisdiction, Table 1 on the following page shows the number of regulated utilities and those that have withdrawn as of April 2014 (Appendices C, D, and E list the utilities by name). For other water and/or wastewater utilities, the Commission has limited or no oversight. Table 2 breaks down which utilities the agency regulates and generally does not regulate with regard to rates and charges or rules and regulations. For your reference, a map showing the largest regulated water utilities has also been included on page 133.

Table 1

Jurisdictional and Withdrawn Water and Wastewater Utilities

Type of Utility	Number of Jurisdictional Utilities	Number of Withdrawn Utilities
Municipal Water	30	363
Not-For-Profit Water	31	57
Investor-Owned Water	8	1
Conservancy District Water	5	1
Not-For-Profit Wastewater	6	12
Investor-Owned Wastewater	24	9
Not-For-Profit Water/Wastewater	2	4
Investor-Owned Water/Wastewater	13	2

Table 2

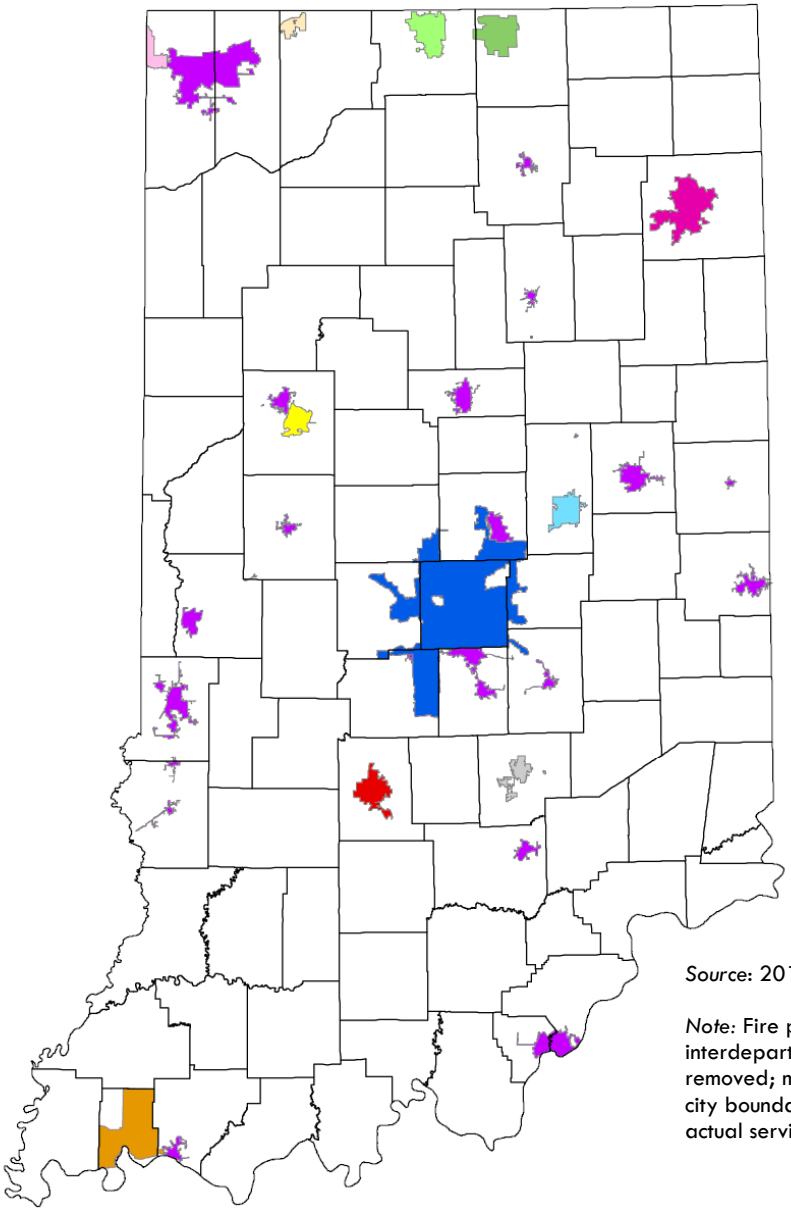
Commission Jurisdicion Based on Utility Type

Type of Utility	Rates and Charges	Rules and Regulations	Ability to Withdraw from Jurisdiction	No Jurisdiction	CTA
Investor-Owned Water*	✓	✓	✓		
Investor-Owned Wastewater*	✓	✓	✓		✓
Not-for-Profit Water	✓	✓	✓		
Not-for-Profit Wastewater	✓	✓	✓		✓
Municipal Water	✓		✓		
Municipal Wastewater**				✓	
Regional Water District				✓	
Regional Sewer District***				✓	
Conservancy Water District****	✓		✓		
Conservancy Sewer District				✓	

*Investor-owned water and wastewater utilities with 300 customers or less can opt out of the IURC's jurisdiction, per Ind. Code § 8-1-2.7-1.3.
**HEA 1187 provides IURC with jurisdiction to resolve territory disputes between municipal water and wastewater utilities in areas outside municipal boundaries.
***Campgrounds served by regional sewer districts have the ability to appeal to the Commission's Consumer Affairs Division for an informal review of a disputed matter, per Ind. Code §13-26-11-2.1.
****IURC has jurisdiction over conservancy districts that make an election to provide water service under Ind. Code § 14-33-20 in its District Plan. Water conservancy districts with fewer than 2,000 customers can opt out of the IURC's jurisdiction, per Ind. Code § 8-1-2.7-1.3.

Map 1

Largest Regulated Water Utilities and the Number of Customers



Source: 2012 Commission Annual Reports

Note: Fire protection customers and interdepartmental sales have been removed; municipal systems are based on city boundaries and may not represent the actual service territory.

- Citizens Water – 305,202
- Indiana American Water Co. – 286,662
- Fort Wayne Municipal Water – 83,457
- Evansville Municipal Water – 61,144
- South Bend Municipal Water – 42,375
- Lafayette Municipal Water – 27,561
- Hammond Municipal Water – 25,978
- Bloomington Municipal Water – 23,344
- Anderson Municipal Water – 21,633
- Elkhart Municipal Water – 17,970
- Columbus Municipal Water – 15,670
- Michigan City Municipal Water – 12,642

Regulated Utilities

The Commission regulates 89 of the 555 water utilities and 45 of the 547 wastewater utilities. Regulated water systems have $10.153 billion of utility plant in service, annual revenues of $589.2 million, and a total rate base of $2.8 billion, while regulated wastewater utilities have $2.5 billion of utility plant in service, annual revenues of $212.5 million, and a total rate base of $1.1 billion. Although the Commission only regulates a fraction of the water utilities, these entities serve approximately 45% of Indiana's water consumers. This is due to the fact that the water systems no longer under the IURC's jurisdiction only serve a small number of customers, while the largest regulated water utilities provide service to primarily urban areas that are more densely populated, as shown in Map 1 on the previous page.

With regard to wastewater, the majority of customers (approximately 85%) are served by non-jurisdictional utilities, as the Commission does not regulate municipal wastewater systems. Based on data reported in 2013, only four regulated utilities serve more than 5,000 customers: CWA Authority, Inc. (229,028 customers); Sanitary District of Hammond (34,497 customers); Hamilton Southeastern Utilities, Inc. (19,124 customers); and Utility Center, Inc. (12,602 customers).

Although the Commission only regulates a fraction of the water utilities, these entities serve approximately 45% of Indiana's water consumers. With regard to wastewater, the majority of customers (approximately 85%) are served by non-jurisdictional utilities because the Commission does not regulate municipal wastewater systems.

Federal Regulations

Utilities that provide drinking water and treat wastewater are subject to federal regulations under the U.S. EPA. Water quality regulation falls under the Safe Drinking Water Act (SDWA), passed in 1974 and amended in 1986 and 1996.[2] Wastewater regulation falls under the Federal Water Pollution Control Act or Clean Water Act (CWA), most recently amended in 1987.[3]

In 1974, Congress passed the SDWA. In addition to protecting drinking water and its sources: rivers, lakes, reservoirs, springs, and ground water wells. The SWDA also gave the U.S. EPA authority to set national health-based standards for drinking water and was originally centered on treatment, but grew in scope over the years. In fact, the 1996 amendments greatly enhanced the existing law by recognizing source water protection, operator training, funding for water system improvements, and public information as important components of safe drinking water.[4]

---

[2] 42 U.S.C. §§ 300f to 300j-26
[3] 33 U.S.C. §§ 1251-1387
[4] U.S. EPA, Understanding the Safe Drinking Water Act, *available at* http://water.epa.gov/lawsregs/guidance/sdwa/upload/2009_08_28_sdwa_fs_30ann_sdwa_web.pdf (last visited July 11, 2014).

In 1948, Congress passed the CWA. It authorized the Surgeon General[5] to develop programs aimed at eliminating or reducing the pollution of interstate waters and tributaries and improving the sanitary condition of surface and underground waters.[6] Similar to the SDWA, the CWA has been amended multiple times, most notably in 1972, which is when permitting became standard. In order for an entity to discharge any pollutant into a waterway, a permit must first be obtained through the U.S. EPA's National Pollutant Discharge Elimination System (NPDES) permit program.[7]

[5] The Surgeon General provides Americans with the best scientific information available on how to improve their health and reduce the risk of illness and injury. The Surgeon General is nominated by the President of the United States with advice and consent of the United States Senate for a four-year term of office. (http://www.surgeongeneral.gov/about/duties/index.html)

[6] U.S. Fish & Wildlife Service (FWS), Digest of Federal Resource Laws of Interest to the FWS, *available at* http://www.fws.gov/laws/lawsdigest/fwatrpo.html (last visited July 11, 2014).

[7] U.S. EPA, Summary of the Clean Water Act, *available at* http://www2.epa.gov/laws-regulations/summary-clean-water-act (last visited July 11, 2014).

Operations & Prices

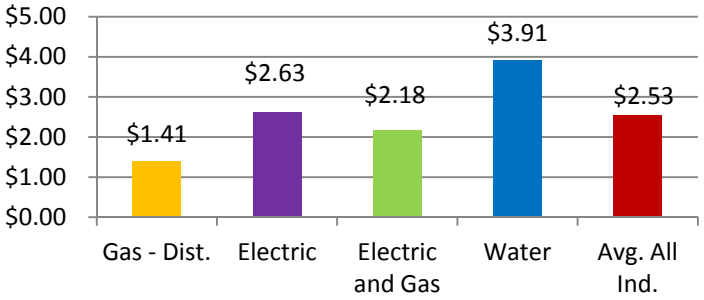
To prosper economically, Indiana communities need safe, reliable, and affordable water and wastewater systems. Much of the United States' drinking water and wastewater infrastructure was built prior to or shortly after World War II. However, due to its high capital requirements, aging infrastructure has not been replaced as quickly as would otherwise be prudent.

Infrastructure

Much of the nation's infrastructure has aged and will need full-scale replacement over the next few decades. This is problematic, because the water sector remains extremely capital intensive, investing more capital per dollar of revenue generated in 2013 than any other industry, as shown in Chart 1. The figure is high due to the need for large investment and relatively low revenues. Consequently, water utilities are typically seeking to increase general rates in order to replace necessary infrastructure.

Chart 1

Capital invested per dollar of revenue in 2013



Source: AUS Utility Reports - 2014

Age Profile

Aging infrastructure is one of the most critical problems in the water and wastewater industry. This is because it is costly to replace infrastructure that is largely underground, which is further discussed later in this section. For example, water systems are comprised of wells (for groundwater), treatment facilities, water tanks, and distribution systems. The distribution systems, composed of the pipes, valves, and pumps, move water from the treatment plant or water tanks to end users. Throughout Indiana, pipes range widely in age and material. Many older systems built during the turn of the last century consist of cast iron and even wood piping that would not be used today.

Due to the age of their water systems, Indiana's oldest communities are experiencing an increase in water main breaks made of cast iron pipe. Distribution system piping manufactured and installed during the growth periods of the 1940s and early 1950s is particularly vulnerable due to the common use of a thinner pipe wall and cast iron. This particular generation of cast iron has become more brittle with age and is beginning to fail. Further, deterioration can worsen in piping that was installed in highly corrosive soils. As this generation of piping requires replacement, our

oldest and largest communities bear the greatest financial burden, because these pipes represent the majority of their distribution system.

Newer systems rely on polyvinyl chloride (PVC), high-density polyethylene (HDPE), and ductile iron piping. Although the materials used in modern pipe manufacturing often have superior corrosion resistance, some materials are unquestionably thinner and cheaper than their alternatives. This requires greater emphasis on alteration of ground conditions and proper installation to achieve the desired longevity of the infrastructure. Modern plastic pipes such as PVC and HDPE have strong corrosion resistance properties but generally have weaker structural properties. In many cases, utilities may prefer a structurally stronger pipe such as ductile iron at a greater material cost to mitigate the risk associated with installation errors.

Projected Infrastructure Costs

According to the U.S. EPA, Indiana's water and wastewater infrastructure needs total $14 billion over the next 20 years.[8][9] In terms of wastewater needs, Indiana reported one of the highest increases among all states since 2004, led by pipe repairs and replacement (up 233%), wastewater treatment (up 224%), and nonpoint source pollution control (up 91%). Additionally, Indiana was one of the states with the highest reported need for combined sewer overflow (CSO) remediation ($5.0 billion).[10] While the Commission regulates Indiana's largest combined system (CWA Authority, Inc.), the vast number of remaining combined systems are municipal (e.g., Evansville, Jeffersonville, Fort Wayne, Kokomo, and Lafayette), which are regulated by their elected local governments. These combined systems are engaged in a variety of CSO control projects ranging from tunnels to other forms of offline storage and satellite treatment, the most complex and expensive being the Deep Rock Tunnel Connector Project in Indianapolis.[11]

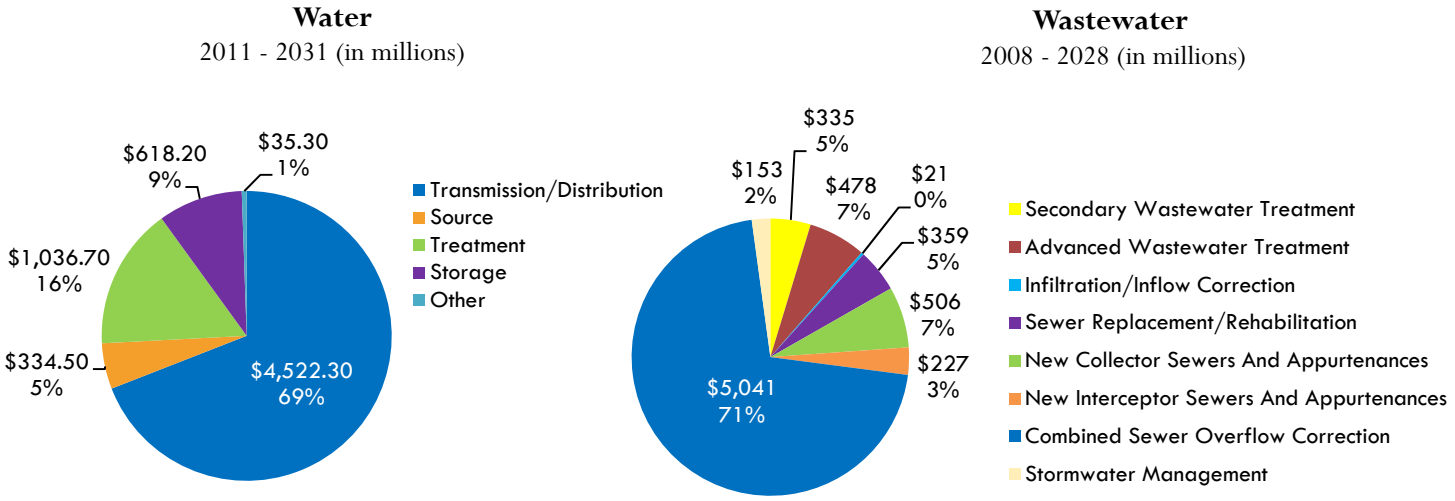
For drinking water infrastructure, Indiana's projected needs have more than doubled since 1995, from $2.4 billion to $6.4 billion in 2011, but has leveled off since the last reporting period. As shown in Chart 2, 69% of this need can be attributed to transmission and distribution projects.

---

[8] U.S. EPA, 2011 Drinking Water Needs Survey, *available at* http://water.epa.gov/grants_funding/dwsrf/upload/epa816f13001.pdf (last visited July 11, 2014).
[9] U.S. EPA, 2008 Clean Watershed Needs Survey, *available at* http://water.epa.gov/scitech/datait/databases/cwns/upload/cwns2008rtc.pdf (last visited July 11, 2014).
[10] Other states with high needs for CSO corrections were: Illinois ($10.9 billion), New Jersey ($9.3 billion), Pennsylvania ($8.7 billion), Ohio ($7.5 billion), and New York ($6.6 billion). Together, these states comprised 74 percent of the CSO needs reported in the Clean Water Needs Survey.
[11] Citizens Energy Group, Deep rock Tunnel Connector Fact Sheet, *available at* http://www.citizensenergygroup.com/pdf/projects/DeepRockTunnelFacts.pdf (last visited July 11, 2014).

Chart 2

Indiana infrastructure needs



Program Funding

In order to assist with the high capital costs associated with the water and wastewater industry, numerous federal and state funding options are available for infrastructure investment. These programs include the State Revolving Loan Fund, U.S. Department of Agriculture Rural Development Loans and Grants, Community Focus Fun, and Private Activity Bonds.

State Revolving Loan Fund

Grants from the U.S. EPA are leveraged in bond markets to generate State Revolving Loan Fund (SRF) proceeds. The Indiana Finance Authority (IFA) then administers these funds through low-interest loans at 20-year terms to investor-owned, municipal, and not-for-profit utilities. Based on the Drinking Water and Clean Water 2013 Annual Reports[12,13], the Drinking Water SRF (DWSRF) Loan Program closed 14 loans for Indiana utilities, totaling approximately $39.4 million, in state fiscal year 2013. Treatment infrastructure projects accounted for more than 31% of the projects, approximately 7% is associated with refinancing, and the remaining 72% were associated with transmission and distribution infrastructure projects. The Clean Water SRF Loan Program in Indiana closed 25 loans totaling more than $304.5 million.[14]

---

[12] Indiana Finance Authority (IFA), State Revolving Fund Loan Program (SRFLP), *available at* http://www.in.gov/ifa/srf/files/SRF_Indiana_DWSRF_2013_Annual_Report.pdf (last visited July 11, 2014).
[13] IFA, SRFLP, *available at* http://www.in.gov/ifa/srf/files/Indiana_CWSRF_2013_Annual_Report.pdf (last visited July 11, 2014).
[14] Private wastewater utilities do not have access to the Clean Water SRFLP.

U.S. Department of Agriculture Rural Development Loans and Grants

U.S. Department of Agriculture Rural Development Loans and Grants are available to assist systems serving rural areas and towns with a population of less than 10,000. Extended 40-year terms are available at or below market interest rates, depending on each respective community's demographics. As part of this program, Indiana water and wastewater utilities received approximately $12.6 million in loans and $5.6 million in grants.

Community Focus Fund

Grants for planning and up to 90% of eligible project costs are another option. These planning and construction grants are available to non-entitlement[15] communities, such as cities, towns, or counties, through the Community Focus Fund, which is administered through the Indiana Office of Community and Rural Affairs (OCRA). Out of the more than 69 grant issuances made by OCRA during 2013, only one of the Commission-regulated systems were beneficiaries of the approximately $8 million granted by this state agency. The OCRA also administered disaster relief funding for eight communities totaling approximately $1.6 million.

Private Activity Bonds

Although the amount of SRF funding to investor-owned and not-for-profit utilities is limited, other options are available. For example, another avenue to obtain low-interest rate loans is private activity bonds (PABs), municipal bonds issued to finance facilities for investor-owned or not-for-profit water utilities. The proceeds derived from reduced financing costs go directly to utility customers, rather than to the shareholders, owners, or parent companies. The federal government sets the overall loan volume cap for each state and then allocates that amount based on a formula. In 2013 the volume cap was $349 million.

Under current federal rules applicable to the funding process, investor-owned and not-for-profit utilities are disadvantaged, because they have limited access to low-cost debt.

Funding Challenges

Investor-owned and not-for-profit utilities are disadvantaged, because under current federal rules, they have limited access to low-cost debt. As a result, costs to serve those customers increase, despite the fact that all customers pay federal income tax to support these funding

[15] Non-entitlement communities are all units of general local government that do not meet the definition and qualifications for an entitlement community. This includes all cities, counties, towns, townships, etc. that do not qualify to receive Community Development Block Grant (CDBG) entitlement funds; and any incorporated units of general local government located in urban counties who have opted not to participate in the urban county's entitlement CDBG program. Non-entitlement cities must go through a state-funding program instead of receiving funds directly from the federal government.

programs. To gain access to additional SRF funding, several not-for-profit utilities have converted to water authorities to avoid the volume cap for PABs.

Recognizing this as an issue, public officials have taken action. For example, the National Association of Regulatory Utility Commissioners and the National Association of Water Companies support federal legislation to remove the volume cap for water and wastewater utilities.[16] President Obama's 2015 fiscal budget would eliminate state volume caps for PABs used for water and wastewater facilities. In Congress, House Bill 3939 was introduced in January 2014 and exempt bonds from the volume cap for water and wastewater facilities.

In order to increase the financing of water and wastewater infrastructure, the President signed the Water Resources Reform and Development Act (WRRA) into law on June 10, 2014. The WRRA establishes a Water Infrastructure Finance and Innovation Act (WIFIA) pilot program to help water and wastewater utilities finance large-scale projects. To qualify for the loans, a project must be expected to cost over $20 million. For rural systems (defined as those that serve 25,000 people or less) the threshold is only $5 million. SEA 560 creates property tax incentives and cost payback incentives for the build-out of water (and natural gas) to rural areas of the state[17]. In Indiana, Ind. Code § 8-1-2-42.7 provides a property tax exemption on infrastructure for the treatment, storage, or distribution of water by a water utility. Such an exemption may occur if a county executive or county fiscal body creates an infrastructure development zone.

Vulnerabilities

In addition to the type and age of the infrastructure, weather can also play an important role. Typically, water distribution systems are well protected from the effects of weather, being buried infrastructure. Minimum bury depths are dictated by the frost line (depth of frozen ground) which vary widely across the state. During the 2013-2014 winter, unprecedented cold weather had significant impacts on water utilities in northern Indiana where the ground froze well beyond where frost lines are typically anticipated in this part of the state. The result was a much higher incidence of frozen water lines, especially in areas where flow stagnates during periods of low flow or at the end of water mains. Breaks attributed to freezing weather were much higher than normal winters and the full impact is likely not to be understood until utilities begin to discover the non-catastrophic line breaks that contribute to unaccounted-for-water throughout the year.

[16] NARUC, May 24, 2013 Letter to Congressman Tom Reed, *available at* http://www.naruc.org/Testimony/13%200523%20PAB%20Reed%20Letter%20of%20support%20May%202013.pdf (last visited July 11, 2014)

[17] Utilities State Government Organization, 2013 Indiana Legislative Recap, *available at* http://www.us-go.org/documents/Indiana-Legislative-Summary-1387881855.pdf (last visited July 11, 2014).

Supply

Ind. Code 8-1-30.5 requires the Commission to gather information about the state's water resources each year from all water utilities, including those not regulated by the Commission. In 2013, the Commission issued its first Water Utility Resource Report (WURR) to present information about the industry, provide analysis of collected data, and make specific recommendations regarding Indiana's water resources. The 2014 WURR is being submitted at the same time as this Annual Report.

Mounds Lake Reservoir

The Indiana Revolving Loan Fund has approved a $600,000 grant for a feasibility study for the proposed Mounds Lake Reservoir from Anderson to Daleville. Plans are to dam the White River to create a 2,100 acre lake.

The 2014 WURR continued to find that northern Indiana's groundwater resources are considered good to excellent with access to many surface water sources including Lake Michigan. Central Indiana's groundwater resources are fair to good and its access to surface water includes many rivers and streams and several reservoirs. Southern Indiana has a limited supply of groundwater and access to several rivers for surface supply, but streams do not have a hydraulic connection to ground water. Reservoirs exist, but drinking water supplies are not fully allocated.

In preparation for the 2014 report, the Commission modified the form used to gather information and refined its quality control protocol measures in order to solicit and provide higher quality data. While participation appears to be slightly less than in 2013, the integrity and completeness of the data is unquestionably better. The 2014 WURR recommends many of the same recommendations made in the 2013 report regarding utility management, planning, and rules, however, this year, the Commission has recommended that the complexity and inconsistency associated with the creation and regulation of water and wastewater utilities be studied and appropriately reduced. Based on current rules, there are more than a dozen different types of water and wastewater utilities that can exist in Indiana, making for an overly complex system which should be evaluated.

Pricing and Economics

Nationally, water and wastewater rates are outpacing inflation. Indiana is similar, in that water and wastewater utilities are experiencing cost increases for several reasons: replacement of aging infrastructure, compliance with U.S. EPA standards (e.g., water quality and wastewater effluent), increases in expenses (e.g., labor, chemical, and power), growing demand, and the relocation of facilities.

Rate Increases

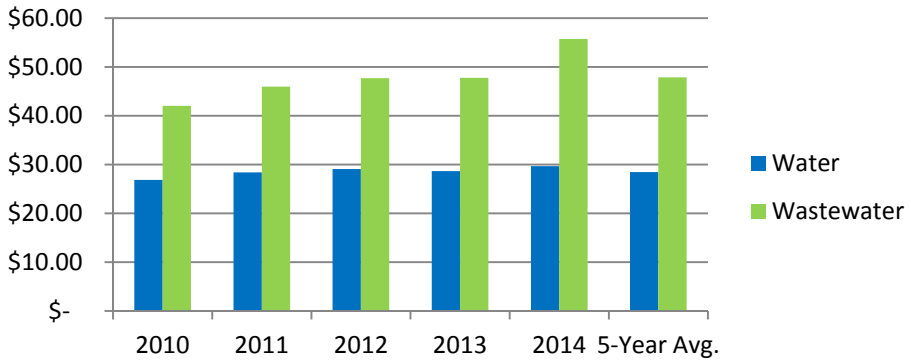
Overall, the number of rate increase requests has declined slightly since 2012. In 2013, three water utilities were approved for general rate increases averaging 35.17%, and six wastewater utilities were approved for general rate increases averaging 99.73%. The average percent increase granted by the Commission appears significant, because the requests are related to U.S. EPA requirements, infrastructure improvements, and maintenance projects to uphold the quality of service.

However, these percentages do not tell the whole story. As of January 1, 2014, the average water and wastewater rates regulated by the IURC are relatively low at $29.67 per 5,000 gallons for water and $55.73 per 5,000 gallons for wastewater, on average. Chart 3 shows the five-year average.

Chart 3

Water/wastewater residential bill comparison for 5,000 gallons

2010 – 2014



Source: Billing Surveys (see Appendix F)

As of the printing of this Report, the three largest water/wastewater utilities have had rate cases completed this past year or remain pending. In March 2014, the Commission approved an 8.98% rate increase for Citizens Water. In April 2014, the Commission approved a two-phase rate increase (21.08% and 5.61%) for CWA Authority, Inc.

There are areas of the state where customers pay significantly more than in other areas. In fact, of all the industries, water and wastewater utilities have the greatest disparity in rates. This is because rates are largely dependent on the length of time between rate cases, the condition of the infrastructure, and the number of customers served.

Indiana American Water (Indiana American) filed a rate case in January 2014 in IURC Cause No. 44450 to increase rates 9.84% under Ind. Code § 8-1-2-42.7, which is discussed in the "Regulatory Initiatives" section of this report. Per Ind. Code § 8-1-2-42.7, the case will be completed in November 2014. The case is currently pending. In its prehearing conference order, the Commission rejected Indiana American's proposed 13-month average rate base as the average would allow them to begin recovering a return on investment for utility plant that is not yet in service (i.e., not actually used and useful) which is contrary to Ind. Code § 8-1-2-6. On a related note, the Commission determined that Indiana American's Petition and Direct Testimony includes issues extraneous to its rates and charges request. With the 300-day timeline provision of Ind. Code § 8-1-2-42.7, the Commission ordered the creation of a sub-docket to consider these other issues.

Investigation of Citizens Energy Group and CWA Authority

In response to questions surrounding a proposal to change its tariff regarding billing through the 30-Day filing process, the IURC's General Counsel requested the Commission commence an investigation into the billing practices of Citizen Energy Group and CWA Authority, Inc. In March 2014, the Commission opened a formal investigation in Cause No. 44462. The following issues, at a minimum, will be addressed in this investigation: payment application errors, meter reading and estimation, billing issues, call center data, and customer payment designations, customer service and compensation metrics, and application of Low Income Home Energy Assistance Program and Universal Service Program Funds. The Commission will hold a series of technical conferences and expects to complete the investigation by year's end.

Rate Disparity

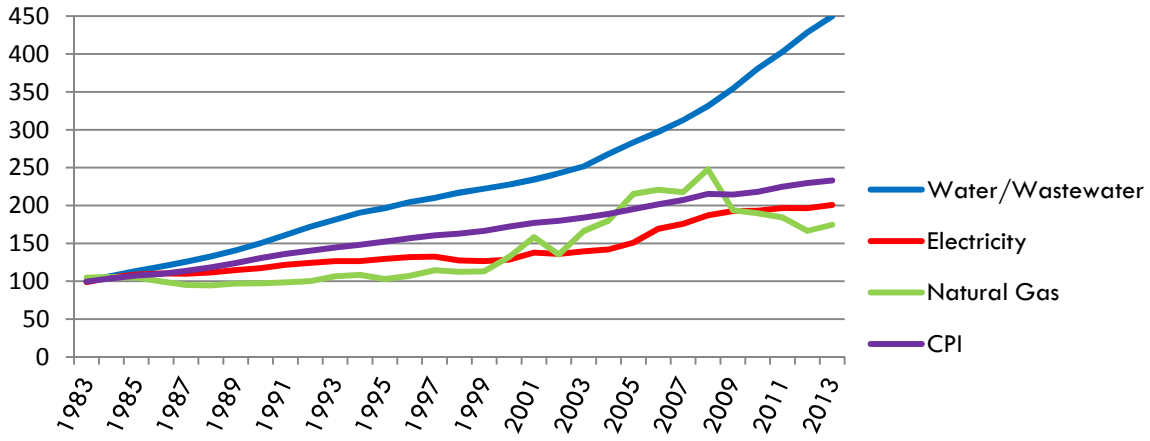
There are areas of the state where customers pay significantly more for water and wastewater service than in other areas. In fact, of all the industries, water and wastewater utilities have the greatest disparity in rates. This is because rates are largely dependent on the length of time between rate cases, the condition of the infrastructure, and the number of customers served. For smaller systems, rates tend to be significantly higher due to the costs being spread over a smaller number of ratepayers. These small wastewater systems typically serve a single subdivision and do not experience customer growth. Therefore, when significant upgrades are required, the cost is

spread over a small customer base resulting in significant rate increases. This is why, when large projects are part of a rate case, the Commission has granted phase-in rates, which help mitigate bill shock. Additionally, costs incurred to maintain infrastructure is also a factor in increasing rates. If the system is not well-maintained, it is more expensive to repair.

To show how rates have changed nationally, Chart 4 shows the price index by utility type, including water and wastewater rates. They are rising more rapidly than electricity or natural gas rates and much faster than the overall consumer price index (CPI). For example, from 2004 to 2013 water and wastewater rates rose 5.98% per year, while the CPI rose at a slower pace of 2.40% per year.

Chart 4

Comparison of utility prices from 1983 to 2013
Index is set to 100 for 1982-1984



Source: U.S. Bureau of Labor Statistics

Adjustable Rate Mechanisms (Trackers)

Indiana's regulatory statutes include adjustable rate mechanisms, or trackers, for certain expenses and capital investments. Tracking mechanisms provide timely recovery of specifically defined costs, compared to recovery as the result of a rate case.

Distribution System Improvement Charge

The Distribution System Improvement Charge (DSIC) is a capital recovery mechanism that was created for water utilities[18] in 2000 through legislation enacted by the Indiana General Assembly. Indiana was the second state in the nation to enact such a mechanism. In 2014, HEA 1132 expanded the DSIC to include wastewater utilities. The DSIC allows water and wastewater

[18] Ind. Code § 8-1-31

utilities to recover the costs of improvements to existing distribution systems or collection systems with a simplified proceeding when the investment is made, rather than a full rate case. The Commission may only approve a DSIC if total DSIC revenues will not exceed 5% of a utility's base revenue as approved in the utility's most recent general rate proceeding.

The Distribution System Improvement Charge is a mechanism to encourage needed infrastructure improvements before having to react to a costly disaster. As of June 2014, the Commission approved close to $204 million in utility distribution plant placed in service through the DSIC.

This useful mechanism avoids the added costs of a rate case and encourages utilities to make needed infrastructure improvements before having to react to a costly disaster. Moreover, it results in rate increases that tend to be more gradual over time. As of June 2014, the Commission approved close to $204 million in utility distribution plant placed in service through the DSIC. In the four years ending December 31, 2013, Indiana American was the only water utility to file for a DSIC. In those four years, the Commission has approved more than $100 million in utility distribution plant placed in service through Indiana American's DSIC. On March 28, 2014, Indiana Water Service Inc., filed a DSIC for the first time in nearly ten years.

Acquisition and Consolidation

Acquisitions and consolidations can take many forms. For water and wastewater utilities, the most prevalent are investor-owned utilities buying smaller investor-owned utilities; investor-owned utilities buying municipal systems; and municipalities buying investor-owned systems. Over the last 10 years, the pace of mergers and acquisitions by investor-owned utilities has slowed significantly, as many of the most attractive and available utilities have been acquired. However, transaction proposals do continue to take place.

When transactions are brought to the Commission for approval, the Commission must ensure customers are not overpaying and that the utility is being assessed at fair value. In cases where a utility's service area is expanded, questions also arise about who should pay and how much. The following sections further detail these issues.

Privatization

Privatization occurs when an investor owned utility purchases a municipal system. Recent utility transactions have highlighted several issues of particular concern for the Commission. One issue is how to determine the fair value of the property. Without accurate accounting records of the municipality's assets, it is difficult to accurately determine the fair value of the assets. Even when the accounting records are accurate, there may be a conflict between Indiana statutes that govern how the price is determined for the assets and what the Commission sets as the fair value. Under Ind. Code § 8-1.5-2-6(b), municipal assets may not be sold for less than their full appraised value; however, the Commission must adhere to Ind. Code § 8-1-2-6, which disallows contributions

in aid of construction (CIAC) in determining the fair value.[20] The issue is further complicated when appraisers do not deduct utility plant that has been contributed by developers or funded by a government grant.

In November 2013, the IURC approved Citizens Energy Group's acquisition of the city of Westfield's water and wastewater utility. Citizens Water of Westfield and Citizens Wastewater of Westfield, both investor-owned utilities, began operating in March 2014.

Without accurate accounting records of the municipality's assets, it is difficult to accurately determine the fair value of the assets.

In January 2014 and March 2014, the IURC approved Indiana American Water's acquisition of Yankeetown Water Authority and the Town of Merom, respectively. In both cases Indiana American and the OUCC submitted a settlement agreement that was approved by the Commission.

Municipalization

The practice of municipalities taking over investor-owned systems, sometimes referred to as municipalization, was aided by a 2007 Indiana Supreme Court decision[21] which affirmed the City of Fort Wayne's condemnation of a portion of Utility Center, Inc.'s system. Condemnation is a legal proceeding whereby a municipality exercises its power of eminent domain and condemns utility property, which then results in the transfer of the utility property to the municipality.

One concern is the determination of whether the customers acquired through the condemnation process should be required to pay higher rates than the utility's existing customers. The Indiana General Assembly remedied this aspect of the condemnation process in 2009 through an amendment to Ind. Code § 8-1.5-3-8. As a result of this legislation, when a municipality condemns the property of a public utility, all customers bear the costs associated with the condemnation process through their normal rates and charges.[22] There have also been more recent changes. During the 2013 legislative session, the condemnation process was further limited by HEA 1307. This law states that a municipality may not purchase the property of a utility company that provides water or sewer service (including a regional sewer and water district) unless the Commission:

> (1) Finds that the utility company has continued violations of its orders or the law regulating the utility company after the IURC has ordered compliance; or
> (2) Finds after a review that the utility company has severe deficiencies that the utility company has failed to remedy.

[20] CIAC is utility plant that was not funded by the utility, such as plant contributed by a developer or obtained as part of a government grant.
[21] See, *Utility Center, Inc. v. Fort Wayne*, 868 N.E.2d 453 (Ind. 2007)
[22] Ind. Code § 8-1.5-3-8

Finally, the Indiana Supreme Court recently ruled that when determining the value of condemned property the owner of the property has a right to a full evidentiary hearing before a jury.[23]

In August 2012, the Town of Mooresville Town Council voted to acquire the water utility from Indiana American. Because the parties could not reach an agreement on the purchase price, the Town Council later voted to acquire the system by eminent domain in December 2012. The main issue was the valuation of the water utility, with the Town of Mooresville offering approx. $9.5 million but the Indiana American appraisals being at approx. $27.4 million.[24] A jury trial was held in June 2014 to determine the purchase price of the system, and the jury determined that the Mooresville system should be valued at $20.3 million.[25]

In April 2013, the City of Fort Wayne and Aqua Indiana reached an agreement for the City to purchase Aqua Indiana's water utility in southwest Fort Wayne and resolve the dispute over the purchase price of Aqua Indiana's former north system. As part of the agreement, the City will pay Aqua Indiana an additional $50.1 million to the $16.9 million paid to Aqua Indiana by the City in 2008 (for a total cost of $67 million) for the completion of the sale of all of Aqua Indiana's drinking water facilities located in and near Allen County. At the printing of this report, this case is currently pending.

Municipal Wastewater Disputes

Two disputes between municipal wastewater providers set the foundation for legislation passed in the most recent session of the General Assembly. A dispute between the city of Newburgh and the town of Chandler centered around determining which entity will provide wastewater service to undeveloped land located within four miles of each municipalities' corporate boundaries Ind. Code § 36-9-2-16 provides as follows:

> A unit may regulate the furnishing of the service of collecting, processing, and disposing of waste substances and domestic or sanitary sewage. This includes the power to fix the price to be charged for that service.

A municipality may exercise this power within four miles of its corporate boundaries.[27] For the town of Chandler and the city of Newburgh, this four mile area overlaps, with the overlap being referred to as the "Regulated Territory." Both communities have provided sewer service within the Regulated Territory for decades, but each recently passed its own respective ordinance in an attempt to correct the issue. On April 25, 2007, Newburgh adopted an ordinance exercising "an

---

[23] Utility Center, Inc. d/b/a Aqua Indiana, Inc. v. City of Fort Wayne, Indiana (In. Supreme Court No. 90S04-1208-PL-450)

[24] Rhoades, Keith. "Hendricks County jury to decide how much town will pay for water company." http://www.heraldtimesonline.com/hendricks-county-jury-to-decide-how-much-town-will-pay/article_6d6b72a3-3ef1-5f3d-8579-b8c2ccd96b0c.html

[25] Rhoades, Keith. "Jury sets water system value at $20.3 million." http://www.reporter-times.com/news/local/jury-sets-water-system-value-at-million/article_26cfab75-341d-541c-baad-98444e9e8bc7.html (accessed July 11, 2014).

[27] Ind. Code § 36-9-2-18.

exclusive license to furnish sewer service within the Regulated Territory, and all other utilities are expressly prohibited from furnishing sewer service within the Regulated Territory, except for those customers located in the Regulated Territory that are connected to another sewer utility as of the date this Ordinance is adopted."[28] On June 4, 2007, Chandler adopted an ordinance with the same language.[29]

Subsequently, the dispute was heard by the Indiana Court of Appeals. The court rendered their decision on December 23, 2013, concluding, "The statutes as they exist authorized Newburgh's ordinance prohibiting others from providing new sewer services to customers within four miles of its corporate boundaries." Basically, the first municipality to pass this kind of ordinance would have exclusive rights to provide utility service in the Regulated Territory. The decision prompted a number of municipal utility providers to pass or consider passing similar ordinances to be first in time.

More recently, a dispute arose between the city of Fort Wayne and Huntertown. In that case, the disagreement originated from the terms of a wholesale wastewater treatment contract that expired on April 27, 2013. The 2013 General Assembly passed SEA 385 which added Section 61.7 to Ind. Code 8-1-2. Section 61.7 provides the ability for a party in a contract dispute involving wholesale sewage service to request review by the Commission. In addition to the April 2013 contract expiration dispute, a territory agreement between Fort Wayne and Huntertown expired around the same time. Notably, Huntertown passed ordinances similar to the disputed Chandler and Newburgh ordinances prior to the Court of Appeals issuing its decision.

Subsequent to these two disputes, HEA 1187 was passed during the General Assembly's most recent session. The bill provides procedures to resolve these inter-municipality territorial disputes and involve the Commission; therefore, it is described in the "Regulatory Initiatives" section of this Report.

Modernization and Efficiency

IURC Strategic Plan

The Commission continues to resolve complex issues when small utilities run into trouble, but its primary goal is to prevent utilities from becoming troubled in the first place. The Water and Wastewater Division completed a Strategic Plan in December 2011, which includes 11 action plans that will assist small utilities with managing costs and improving their financial, managerial, and technical capabilities. The key concepts addressed within the action plans include:

[28] The Judicial View, Town of Newburg v. Town of Chandler, *available at* http://judicialview.com/State-Cases/indiana/Government__Politics/Town-of-Newburgh-v-Town-of-Chandler/28/595755 (last accessed July 11, 2014).
[29] Id.

- Create an Alternative Regulatory Procedure (ARP) for small water and wastewater utilities.

- Assist small utilities with cost control, including wholesale water purchase arrangements, equipment sharing, and cooperative purchasing.

- Focus on water loss and consumer education.

- Develop a Small Utility Accounting Manual to assist utility personnel in the proper recording of financial transactions.

- Require performance measures to be developed and incorporated into the IURC Annual Report to provide utility management and the Commission with a tool to evaluate utility performance.

Alternative Regulatory Procedure for Small Utilities

On March 14, 2013, in IURC Cause No. 44203, the Commission approved an ARP for small water and wastewater utilities as part of a settlement agreement between the IURC testimonial staff and the OUCC. The ARP allows small systems serving fewer than 3,000 customers to obtain annual rate increases without the need to file a rate petition or incur the associated costs. The ARP authorizes eligible utilities to increase rates on an annual basis for five years after its most recent rate proceeding. The rate increases are based on an annual cost index, which includes a Labor Index, Industrial Power Index, Industrial Chemical Index, and Consumer Price Index. The annual rate increases are capped at 7.5%, with a 25% cap on cumulative increases between any two general rate increases.

The ARP motivates utilities to improve financial, managerial, and technical capabilities by requiring participants to meet annual requirements focused on improving these capabilities in return for an automatic annual rate increase.

The ARP motivates utilities to improve financial, managerial, and technical capabilities by requiring participants to meet annual requirements focused on improving these capabilities in return for an annual rate increase. The annual requirements, which were developed based on utility best practices, consist of mandatory and elective program elements. A utility must complete a specified number of elective program items for each of the five years. Although a few utilities have inquired about the program, no utility has requested an annual rate increase under the ARP.

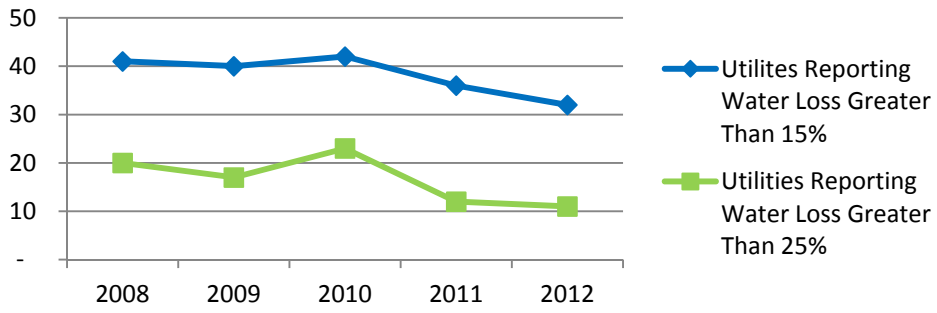
Assistance for Small Utilities

The Commission has focused its educational training in two major areas: 1) hands-on training and 2) information on its website. Based on the success of earlier workshops, the Commission continues to hold annual workshops on topics such as how to complete the Commission's small utility rate

application and annual report; the basics of utility accounting; and tools for planning and asset management.

In order to make educational materials more accessible, the Commission enhanced its website by providing documents useful to utilities, such as standard operating procedures, generic maintenance plans and forms, best practice guides, emergency response, conservation, and board training. The Commission website also houses a Small Utility Toolkit which provides Commission specific regulatory information, infrastructure funding options, and other assistance. These efforts appear to be successful. The Commission has seen data from Annual Reports submitted by regulated utilities that show an increase in the number of utilities implementing an asset management program. Furthermore, as shown in Chart 5, the Commission continues to see a downward trend in utility reported water loss.

Chart 5
Water loss from 2008 – 2012



Source: IURC Annual Reports

In addition, the Water/Wastewater Division expanded its review of each regulated utility's annual report due on April 30th.[30] As a result of this review, 14 utilities were contacted regarding reported operating losses and 10 were sent the IURC's small utility rate application. The utility's financial and tariff information was included in the application and assistance was provided when necessary to complete the forms. Subsequently, five of the utilities petitioned the IURC for rate relief.

Water Efficiency

Water efficiency programs are being developed by individual utilities and at state and national levels in an effort to manage customer usage. At the state level, the IDNR has developed water

[30] Per Ind. Code § 8-1-2-16, "The accounts shall be closed annually on the thirty-first day of December, and a balance sheet of that date promptly taken there from. On or before the thirtieth day of April following, such balance sheet, together with such other information as the commission shall prescribe, verified by an officer of the public utility, shall be filed with the commission."

conservation goals and objectives, as required by the Great Lakes Compact.[31] At the national level, the U.S. EPA has developed the WaterSense® program that labels water efficient appliances, products, services, and practices (e.g., low-flow shower heads, low water washing machines, and low flow irrigation systems). This program is similar to the Energy Star program, which identifies energy efficient appliances. For example, if a household can save 40,000 gallons per year and water rates are $3.00 per 1,000 gallons, the savings amounts to $120 per year.[32]

Water-Energy Nexus

Water efficiency not only protects the supply of an important natural resource, it also conserves energy. Energy efficiency campaigns usually include information on how to save water and provide efficiency kits containing water-saving devices such as low-flow shower heads. According to the U.S. EPA, energy costs for water and wastewater utilities can be a third of a municipality's total energy bill. For example, every 1,000 gallons of water delivered by a utility represents 8,350 pounds. A utility delivers nearly 21 tons of water to a household using 5,000 gallons of water per month, using pumps powered by electricity.

The federal government and universities are developing programs to educate water and wastewater utilities on ways to conserve and improve upon their existing energy consumption. By reducing energy consumption, expenses decrease, which lessens the need for rate increases. For example, in September 2012, the U.S. EPA published the "Evaluation of Energy Conservation Measures for Wastewater Treatment Facilities." Purdue University created the Energy Efficiency & Sustainability program, which is a best practices awareness, training, and implementation assistance program funded through a fee for service work, the U.S. Department of Energy, and the U.S. EPA.

[31] Pub. L. 90-419 (90th Congress, S. 660) The Great Lakes Compact includes rules and regulations to protect the Great Lakes and the tributary waters of several states and Canadian provinces. Economic development will be balanced with sustainable water use to ensure Great Lakes waters are managed responsibly.

[32] Estimated using a family of four and changing toilet (3.5 gallons to 1.6 gallons), washing machine (48 gallons to 28 gallons), and shower head (5 gallons/minute to 2.5 gallons/minute).

Regulatory Initiatives

State Initiatives

Senate Enrolled Act 271

Senate Enrolled Act 271 urges the legislative council to receive testimony on a number of topics related to water resources, including the Commission's Water Utility Resource Report, and to study the potential creation of a water institute and a water management authority.

House Enrolled Act 1132

As previously discussed, Indiana was the second state to enact a capital recovery mechanism called the DSIC. House Enrolled Act 1132 expands the DSIC to wastewater utilities. The wastewater industry is facing similar challenges as the water industry and, as a result of HEA 1132; wastewater utilities will be able to recover the costs of improvements to existing collection systems with a simplified proceeding rather than a full rate case.

House Enrolled Act 1187

House Enrolled Act 1187 addresses a number of situations regarding territory disputes between municipal utilities that occur in areas outside the municipalities' corporate boundaries. This statute applies when a municipal regulatory ordinance has been adopted that asserts exclusive authority to provide utility service in an area outside the municipality's corporate boundaries (also called the regulated territory).[33] Municipal utilities are encouraged to resolve the issues themselves, but if that can't be accomplished, the statute requires that the issues to be brought before the Commission for resolution. The situations covered include the following:

- A regulatory ordinance has been adopted prior to January 1, 2013, and a dispute exists or arises regarding which utility provides service to customers that are already connected. The utility has to file a petition with the Commission no later than October 1, 2014.
- A regulatory ordinance is adopted after December 31, 2012, and a municipal utility files a wholesale sewage petition. The regulatory ordinance cannot be enforced until a final judgment on the wholesale sewage petition concludes all administrative and judicial proceedings, the Commission has issued an order resolving all issues, and the municipality has modified the ordinance as may be necessary to comply with the Commission's order.

[33] See Ind. Code 8-1.5-6.

A petition must be filed by the municipal utility no later than October 1, 2014, asking for approval of the regulatory ordinance.

- A regulatory ordinance is adopted after December 31, 2012, and no wholesale sewage petition is involved. The regulatory ordinance cannot be enforced until the Commission issues an order that approves the ordinance. If the Commission does not approve the ordinance, the municipality may modify the ordinance and resubmit it to the Commission. An ordinance that is ultimately not approved by the Commission is void.
- Any other dispute regarding which utility will provide service in a regulated territory and that is not the subject of an action initially filed in a court before January 1, 2014. If the utilities cannot reach a mutual agreement, the Commission determines the manner in which the utilities shall provide service in the regulated territory.
- An ordinance that establishes a larger service territory within the regulated territory must be approved by the Commission in order to take effect.

Other key points about this law include; 1) it does not disturb a municipal utility's ability to withdraw from Commission jurisdiction over rates and charges; 2) it does not involve regional water or sewer districts; and 3) municipalities are not prevented from adopting regulatory ordinances, but the statute provides an avenue to handle a dispute should one arise.

On July 2, 2014, the Town of Santa Claus filed the first two petitions the Commission will consider under HEA 1187, one for its water utility the second for its wastewater utility. The water utility petition listed nine area water utilities potentially affected by its "Regulatory Ordinance" while the wastewater utility listed seven. The IURC Cause Numbers are 44508 and 44509.

Senate Enrolled Act 560

During last year's General Assembly session, Senate Enrolled Act 560 (SEA 560) was passed. In addition to establishing a 300-day timeline for rate cases, SEA 560 also provided new incentives for utility companies and businesses. In order to encourage investment in transmission and distribution systems, the legislature modeled a new tracker after the DSIC tracker that applies to the water industry. SEA 560 also allows persons investing in utility infrastructure to receive a tax exemption on the property, as long as it is in an "infrastructure development zone" as designated by a county executive.

One of the new incentives for utility companies is referred to as future test year ratemaking. A future test year is based on estimates or forecasted data rather than on the relationship between historical costs and revenues. Indiana American is the first utility to file a rate increase request based on future test year ratemaking authorized by SEA 560.

Federal Initiatives

Water quality standards are two-fold: 1) health-related (focusing on inorganic and organic chemicals and microorganisms); and 2) aesthetic (focusing on taste, odor, and appearance). These standards are developed by setting a maximum contaminant level and a maximum contaminant level goal, both of which are periodically updated. For example, based on the U.S. EPA's Groundwater Rule, the IDEM now requires increased monitoring to detect viral and bacterial contamination in groundwater sources of drinking water.

In recent years, Indiana utilities have incurred costs associated with maintaining and improving their systems, and these costs are expected to increase as new rules are approved. For example, to comply with the U.S. EPA's Long Term 2 Enhanced Surface Water Treatment Rule[34], several utilities have installed ultraviolet disinfection systems at their treatment plants and have sought cost recovery for those investments. Examples of other new or pending U.S. EPA rules are provided below:

Carcinogenic Volatile Organic Compounds | Final Rule expected 2015

- Scope: The U.S. EPA announced in February 2011 that it plans to develop one national primary drinking water regulation covering up to 16 carcinogenic volatile organic compounds (VOCs). It will propose a regulation to address carcinogenic VOC contaminants as a group rather than individually in order to provide public health protections more quickly and also allow utilities to more effectively and efficiently plan for improvements.

Revised Total Coliform Rule | Final Rule published in February 2013

- Scope: Establishes a maximum contaminant level based on the presence or absence of total coliforms, modifies monitoring requirements including testing for fecal coliforms for E. coli, requires use of a sample siting plan, and also requires sanitary surveys for systems collecting fewer than five samples per month.

Perchlorate Rule | Final Rule expected by 2014

- Scope: The U.S. EPA has determined that perchlorate meets SDWA's criteria for regulating a contaminant – that is, perchlorate may have an adverse effect on the health of persons. Therefore, the U.S. EPA will initiate the process of proposing a national primary drinking water regulation for perchlorate.

[34] U.S. EPA, Long Term 2 Enhanced Surface Water Treatment Rule, *available at* http://water.epa.gov/lawsregs/rulesregs/sdwa/lt2/basicinformation.cfm (last accessed July 11, 2014)

Appendices

Appendix A – Revenues for Jurisdictional Water Utilities

Revenues for Year Ending December 31, 2012

Rank	Utility Name	Operating Revenues	% of Total Revenues
1	Indiana-American Water Company, Inc.	$ 198,348,879	33.66%
2	Citizens Water	$ 170,872,216	29.00%
3	Fort Wayne Municipal Water Utility	$ 33,483,078	5.68%
4	Evansville Municipal Water Works Dept.	$ 18,710,331	3.18%
5	Bloomington Municipal Water	$ 15,393,443	2.61%
6	South Bend Municipal Water	$ 15,291,314	2.60%
7	Hammond Municipal Water Works	$ 10,662,546	1.81%
8	Lafayette Municipal Water Works	$ 7,967,774	1.35%
9	Elkhart Municipal Water Works	$ 7,844,571	1.33%
10	Anderson Municipal Water Works	$ 7,681,004	1.30%
11	Utility Center, Inc.	$ 6,953,660	1.18%
12	Michigan City Municipal Water Works	$ 6,599,130	1.12%
13	Schererville Municipal Water Works	$ 6,077,422	1.03%
14	East Chicago Municipal Water Dept.	$ 5,644,966	0.96%
15	Columbus Municipal Water Utility	$ 4,934,258	0.84%
16	Marion Municipal Water Works	$ 4,459,068	0.76%
17	Stucker Fork Conservancy District	$ 3,531,404	0.60%
18	Brown County Water Utility, Inc.	$ 3,389,285	0.58%
19	Chandler Municipal Water Works	$ 3,122,994	0.53%
20	Jackson County Water Utility, Inc.	$ 2,939,138	0.50%
21	Silver Creek Water Corporation	$ 2,781,884	0.47%
22	New Castle Municipal Water Works	$ 2,648,772	0.45%
23	Edwardsville Water Corporation	$ 2,261,302	0.38%
24	Princeton Municipal Water	$ 2,216,931	0.38%
25	North Lawrence Water Authority	$ 2,163,140	0.37%
26	Auburn Municipal Water Utility	$ 2,135,480	0.36%
27	Eastern Heights Utilities, Inc.	$ 2,103,321	0.36%
28	Morgan County Rural Water Corporation	$ 1,949,847	0.33%

29	Martinsville Municipal Water Utility	$	1,816,816	0.31%
30	Eastern Bartholomew Water Corporation	$	1,771,320	0.30%
31	Ellettsville Municipal Water Utility	$	1,755,257	0.30%
32	Boonville Municipal Water Works	$	1,696,950	0.29%
33	Columbia City Municipal Water Utility	$	1,654,742	0.28%
34	German Township Water District, Inc.	$	1,646,865	0.28%
35	East Lawrence Water Authority	$	1,618,516	0.27%
36	South Harrison Water Corporation	$	1,545,120	0.26%
37	Southwestern Bartholomew Water Corporation	$	1,444,937	0.25%
38	Gibson Water, Inc.	$	1,380,965	0.23%
39	Southern Monroe Water Corporation	$	1,122,907	0.19%
40	Twin Lakes Utilities, Inc.	$	1,099,910	0.19%
41	Floyds Knobs Water Company, Inc.	$	1,045,166	0.18%
42	Tri-Township Water Corporation	$	1,026,608	0.17%
43	Corydon Municipal Water Works	$	1,014,354	0.17%
44	Petersburg Municipal Water Works	$	858,747	0.15%
45	Aurora Municipal Water Utility	$	823,093	0.14%
46	North Dearborn Water Corporation	$	814,478	0.14%
47	Town of Cedar Lake Utilities	$	768,784	0.13%
48	Charlestown Municipal Water Dept.	$	765,574	0.13%
49	Marysville Otisco Nabb Water Corporation	$	752,369	0.13%
50	Fortville Municipal Water Works	$	744,776	0.13%
51	Van Buren Water, Inc.	$	719,038	0.12%
52	Posey Township Water Corporation	$	662,310	0.11%
53	Sullivan-Vigo Rural Water Corp.	$	612,939	0.10%
54	B & B Water Project, Inc.	$	609,266	0.10%
55	Washington Township Water Corporation of Monroe County	$	603,797	0.10%
56	LMS Townships Conservancy District	$	561,251	0.10%
57	Indiana Water Service, Inc.	$	484,460	0.08%
58	Cataract Lake Water Corporation	$	474,878	0.08%
59	Clinton Township Water Company	$	474,843	0.08%
60	Tri-County Conservancy District	$	434,633	0.07%
61	Consumers Indiana Water Company, Inc.	$	395,603	0.07%
62	Riverside Water Company, Inc.	$	358,728	0.06%
63	Knightstown Municipal Water Utility	$	335,829	0.06%
64	St. Anthony Water Utilities, Inc.	$	327,256	0.06%
65	Everton Water Corporation	$	288,662	0.05%
66	Ogden Dunes Municipal Water	$	281,535	0.05%
67	Kingsford Heights Municipal Water Utility	$	271,855	0.05%
68	Painted Hills Utilities Corporation	$	244,820	0.04%
69	Aqua Indiana, Inc.	$	243,152	0.04%
70	Mapleturn Utilities, Inc.	$	216,708	0.04%

71	South 43 Water Association, Inc.	$	204,841	0.03%
72	Rhorer Harrel & Schacht Roads Water Corp	$	166,376	0.03%
73	Pioneer Water, LLC	$	160,513	0.03%
74	Kingsbury Utility Corporation	$	140,449	0.02%
75	Van Bibber Lake Water Conservancy District	$	103,748	0.02%
76	Waldron Conservancy District	$	81,480	0.01%
77	Water Service Company of Indiana, Inc.	$	74,253	0.01%
78	Apple Valley Utilities, Inc.	$	73,995	0.01%
79	Wedgewood Park Water Co., Inc.	$	69,111	0.01%
80	Pleasantview Utilities, Inc.	$	62,775	0.01%
81	J.B. Waterworks, Inc.	$	39,818	0.01%
82	American Suburban Utilities, Inc.	$	38,404	0.01%
83	Wastewater One dba River's Edge Utility, Inc.	$	31,285	0.01%
84	Pence Water Works	$	13,595	<0.01%
85	Wells Homeowners Association, Inc.	$	12,795	<0.01%
86	Shady Side Drive Water Corporation	$	10,847	<0.01%
87	Hessen Utilities, Inc.	$	8,636	<0.01%
88	Bluffs Basin Utility Company, LLC	$	6,273	<0.01%
	Total Revenue	***$***	***589,236,169***	***100.00%***

Appendix B –Revenues for Jurisdictional Wastewater Utilities

Revenues for Year Ending December 31, 2012

Rank	Utility Name	Operating Revenues	% of Total Revenue
1	CWA Authority, Inc.	$157,291,621	74.01%
2	Sanitary District of Hammond	21,740,747	10.23%
3	Hamilton Southeastern Utilities, Inc.	10,307,621	4.85%
4	Utility Center, Inc.	8,191,652	3.85%
5	Aqua Indiana South Haven	3,933,108	1.85%
6	American Suburban Utilities, Inc.	2,761,071	1.30%
7	Twin Lakes Utilities, Inc.	1,661,711	0.78%
8	Eastern Richland Sewer Corporation	1,202,194	0.57%
9	Driftwood Utilities, Inc.	836,276	0.39%
10	L.M.H. Utilities Corporation	784,618	0.37%
11	Wymberley Sanitary Works, Inc.	535,965	0.25%
12	Mapleturn Utilities, Inc.	422,932	0.20%
13	Kingsbury Utility Corporation	372,228	0.18%
14	Indiana-American Water Company, Inc.	367,215	0.17%
15	Consumers Indiana Water Company, Inc.	348,665	0.16%
16	Doe Creek Sewer Utility, Inc.	228,626	0.11%
17	Apple Valley Utilities, Inc.	226,706	0.11%
18	Howard County Utilities, Inc.	176,855	0.08%
19	Wildwood Shores Utility Corp., Inc.	150,052	0.07%
20	Eastern Hendricks County Utility, Inc.	143,652	0.07%
21	Old State Utility Corporation	123,474	0.06%
22	Water Service Company of Indiana, Inc.	121,999	0.06%
23	Galena Wastewater Treatment Plant	111,757	0.05%
24	Sani Tech, Inc.	104,626	0.05%
25	Heir Industries, Inc.	84,650	0.04%
26	JLB Development, Inc.	78,605	0.04%
27	Southeastern Utilities, Inc.	71,963	0.03%
28	Pleasantview Utilities, Inc.	50,729	0.02%
29	Hillview Estates Subdivision, Inc.	38,890	0.02%
30	Wastewater One dba River's Edge Utility, Inc.	21,808	0.01%
31	Bluffs Basin Utility Company, LLC	12,169	0.01%
32	Lakeland Lagoon Corp.	8,208	<0.01%
33	Anderson Lakes Estates Homeowners Association, Inc.	7,327	<0.01%
34	Hessen Utilities, Inc.	4,912	<0.01%
35	Webster Development, LLC	1,171	<0.01%
	Total Revenue	*$212,525,803*	*100.00%*

Note: Several utilities did not complete an Annual Report, so the total number does not equal the number of utilities under IURC jurisdiction.

Appendix C – Withdrawn Water Utilities

Utility Name	
Aberdeen-Pate Water Co.	Advance
Akron	Albany
Albion	Alexandria
Alfordsville	Ambia
Andrews	And-Tro, Inc.
Angola	Arcadia
Argos	Ashley
Atlanta	Attica
Avilla	Bainbridge
Bargersville	Batesville
Bean Blossom - Patricksburg Water Corp.	Bedford
Berne	Bethany
Beverly Shores	Bicknell
Big Walnut Company, Inc.	Birdseye
Bloomingdale	Bluffton
Boswell	Bourbon
Brazil	Bremen
Bristol	Brook
Brooklyn	Brookston
Brookville	Brownsburg
Bruceville	Bunker Hill
Burns City	Burnt Pines Water Association
Butler	Cambridge City
Camden	Campbellsburg
Canaan Water Utility	Cannelton
Carbon	Carlisle
Carmel	Carthage
Cayuga	Center Point
Centerville	Chalmers
Chesterfield	Chesterton
Chrisney	Churubusco
Cicero	Clarks Hill
Clay City	Claypool
Clinton	Cloverdale

Utility Name	
Colfax	Columbia City
Connersville	Converse
Covington	Crane
Crawford County Water Company	Cromwell
Crothersville	Crown Point
Culver	Cumberland
Cynthiana	Dale
Daleville	Dana
Danville	Daviess County Rural Water System, Inc.
Dayton	Decatur
Decatur County Rural Water Corporation	Decker
Delphi	Dillsboro
Dublin	Dubois Water Utilities, Inc.
Duff Water Corporation	Dugger
Dune Acres	Dunkirk
Dupont Water Company, Inc.	Dyer
Earl Park	East Fork Water, Inc.
East Monroe Water Corporation	East Washington Rural Water Corporation
Eaton	Edgewood
Edinburgh	Edwardsport
Elberfeld	Elizabeth
Ellis Water Company	Elnora
Elrod Water Company, Inc.	Elwood
English	Etna Green
Fairmount	Fairview Park
Farmersburg	Farmland
Fayette Township Water Association, Inc.	Ferdinand
Fillmore	Finch Newton Water, Inc.
Flora	Fort Branch
Fountain City	Fowler
Francesville	Francisco
Frankfort	Franklin County Water Association, Inc.
Frankton	Freelandville Water Association
Fremont	Galveston

Utility Name	
Garrett	Gas City
Gaston	Gem Water, Inc.
Geneva	Gentryville
Georgetown	Georgetown, IL
Glenwood	Goodland
Goshen	Gosport
Grabill	Grandview
Grantsburg Rural Water, Inc.	Greencastle
Greendale	Greenfield
Greensburg	Greentown
Greenville	Griffith
Hagerstown	Hamilton
Hamlet	Hanover
Hartford City	Haubstadt
Hayden Water Association, Inc.	Hazleton
Haysville Water Utilities, Inc.	Highland
Hebron	Hillsboro
Hill Water Corp.	Hogan Water Corp.
Hillsdale Water Corp.	Holton Community Water Corp.
Holland	Hudson
Hope	Huntingburg
Huntertown	Hymera
Huntington	Ireland Utilities, Inc.
Ingalls	Jasonville
Jamestown	Jennings Water, Inc.
Jasper	Kendallville
Jonesboro	Kentland
Kent Water Company, Inc.	Kingman
Kewanna	Knightsville
Kirklin	Knox County Water, Inc.
Knox	LaCrosse
Kouts	LaFontaine
Ladoga	Lagro
LaGrange	Lakeville
Lake Station	Lanesville

Utility Name	
Lapel	Laurel
LaPorte	Lawrenceburg
Lawrence	Lebanon
Leavenworth	Liberty
Lewisville	Linden
Ligonier	Logansport
Linton	Loogootee
Long Beach	Lyford Waterworks, Inc.
Lowell	Lynnville
Lynn	Madison
Lyons	Marshall
Markle	Medaryville
Mecca	Mentone
Medora	Middlebury
Merom	Milan
Middletown	Millersburg
Milford	Milton
Milltown	Mitchell
Mishawaka	Monroe
Monon	Monroeville
Monroe City	Montgomery
Montezuma	Montpelier
Monticello	Morocco
Morgantown	Mount Summit
Morristown	Mulberry
Mount Vernon	Napoleon Community Water
Munster	Nashville
Nappanee	New Chicago
New Carlisle	New Haven
New Harmony	New Pekin
New Market	New Whiteland
New Richmond	Newport
Newberry	North Judson
North Brown Water	North Liberty
North Salem	North Manchester

Utility Name	
Oakland City	North Vernon
Odon	Oaktown
Oolitic	Oldenburg
Orland	Orestes
Osgood	Orleans
Otterbein	Ossian
Owensville	Otwell Water Corporation
Palmyra	Oxford
Paragon	Paoli
Patoka	Parker City
Patriot	Patoka Water Company, Inc.
Pendleton	Paxton Water Corporation
Perry Water System, Inc.	Pennville
Peru	Perrysville
Pittsboro	Pierceton
Pleasantville Water Co.	Plainfield
Portland	Plymouth
Prince's Lakes	Poseyville
Redkey	Ramsey Water
Remington	Reelsville Water Authority
REO Water Corp.	Rensselaer
RHS Water Corp.	Reynolds
Riley	Ridgeville
Roachdale	Rising Sun
Roanoke	Roann
Rockport	Rochester
Rosedale	Rockville
Royal Center	Rossville
Rushville	Rural Membership Water Corporation
Russiaville	Russellville
Salem	Rykers Ridge Water Co.
Sandborn	Santa Claus
Santa La Hill, Inc.	Schneider
Scottsburg	Seelyville

Utility Name	
Sellersburg	Sharpsville
Shelburn	Sheridan
Shipshewana	Shirley
Shoals	Silver Lake
South Whitley	South Harrison Water Corp.
Speedway	Southern Madison Utilities,
Spurgeon	Spiceland
St. Henry Water Corporation	St. Bernice Water
St. John	St. Joe
St. Paul	St. Jude Village Water Corp.
Sunman	Staunton
Switz City	Swayzee
Tell City	Syracuse
Thorntown	Tennyson
Topeka	Tipton
Troy	Trafalgar
Union City	Troy Township Water Association, Inc.
Upland	Universal
Valparaiso	Valley Rural
Van Buren	Valparaiso Lakes Conservancy
Vernon	Veedersburg
Vevay	Versailles
Wakarusa	Vincennes
Walton	Walkerton
Warren	Wanatah
Washington Township Water Corp.	Washington
Watson Rural Water Co., Inc.	Waterloo
Waynetown	Waveland
West Lebanon	West College Corner
Westfield	West Terre Haute
Westville	Westport
Whiteland	Wheatland
Whiting	Whitestown
Williamsport	Wilfred Water Corporation
Windfall	Winamac

Utility Name	
Winslow	Wingate
Wolcottville	Wolcott
Yankeetown Water Authority	Woodburn
Yorktown	

Appendix D – Withdrawn Wastewater Utilities

Utility Name	
Canyonlands Homeowners, Inc.	Henryville Membership Sanitation
Creekside Utilities, Inc.	Lakeview Estates of Wabash County, Inc.
Deerwood Environmental, Inc.	M.E.K.A. Inc.
East Shore Corp.	Mt. Pleasant Utilities, LLC
Evanston Utility, Inc.	Shorewood Forest Utilities, Inc.
Forest Ridge Utilities, Inc.	Tamerix Lake Wastewater Treatment Plant
Gem Utilities, Inc.	Thieneman Environmental, LLC
Golfview Partners, LLC	Thrall's Station, Inc.
Grandview Lot Owners Association, Inc.	West Boggs Sewer District, Inc.
Hardin Monroe, Inc.	Western Hancock Utilities, LLC
Harrison Lake Town Meeting, Inc.	

Appendix E – Withdrawn Combined Water & Wastewater Utilities

Utility Name	
C & M Utility, Inc.	Shady Hills Utility Company
Hoosier Land Vistas	St. Meinrad Utilities
Salt Creek Services, Inc.	Valley Rural Water & Sewer Utility

Appendix F – Residential Water Bill Survey

Comparison by Gallon Usage (January 1, 2014)

Utility Name	Ownership	Last Rate Case	Effective Date	5,000 gal.	7,500 gal.
American Suburban	IOU	38936	6/21/90	$51.78	$51.78
Anderson Municipal	MUN	42194	12/20/06	$17.14	$22.59
Apple Valley	IOU	39889	3/8/95	$21.02	$21.02
Auburn*	MUN	41414	9/22/99	$22.31	$28.54
Aurora, inside city	MUN	42786	9/14/05	$15.50	$22.63
Aurora, outside city	MUN	42786	9/14/05	$18.50	$27.00
B&B Water Project	NFP	39107	5/22/91	$29.29	$42.14
Battleground	C.D.	43088	3/7/07	$24.70	$32.10
Bloomington, inside city*	MUN	43939	3/9/11	$22.09	$29.87
Bloomington, outside city*	MUN	43939	3/9/11	$23.19	$30.97
Bluffs Basin	IOU	42188	3/5/03	$28.15	$38.15
Boonville*	MUN	43477	4/8/09	$35.48	$51.38
Brown County	NFP	43203	10/17/07	$64.28	$95.12
Cataract Lake Water Corporation	NFP	43742-U	12/22/09	$36.78	$51.40
Chandler, Town*	MUN	43658	1/6/10	$28.72	$37.67
Charlestown	MUN	42878	8/16/06	$18.30	$27.45
Citizens Waterworks	MUN	43936	7/13/11	$27.80	$36.89
Clinton Township	NFP	43696	10/14/09	$38.59	$49.15
Columbus*	MUN	39425	3/29/94	$10.69	$14.72
Consumers Indiana, Lake County Indiana	IOU	43962	7/27/11	$45.49	$63.74
Cordry Sweetwater - outside district	C.D.	--	5/20/71	$18.65	$22.99
Corydon*	MUN	40591	4/9/97	$16.90	$23.75
Country Acres	NFP	36972	12/8/82	$6.00	$6.00
Darlington - Aqua	IOU	43609	6/10/09	$49.82	$66.77
East Chicago	MUN	42680	11/8/06	$12.05	$15.03
East Lawrence Water	NFP	43630	9/16/09	$47.55	$66.88
Eastern Bartholomew	NFP	43392	9/24/08	$23.21	$33.39
Eastern Heights	NFP	42839	4/20/06	$21.59	$30.02
Edwardsville Water	NFP	43869	3/8/11	$38.19	$54.07
Utility Name	Ownership	Last Rate Case	Effective Date	5,000 gal.	7,500 gal.
Elkhart	MUN	43191	7/11/07	$12.84	$16.13
Ellettsville, outside town*	MUN	43582-U	6/3/09	$28.74	$41.69

Ellettsville, inside*	MUN	43582-U	6/3/09	$23.36	$33.64
Evansville, Inside City*	MUN	44137	2/13/13	$20.48	$27.56
Evansville, Outside City*	MUN	44137	2/13/13	$21.99	$29.07
Everton	NFP	43312	12/5/07	$33.70	$47.04
Floyds Knobs	NFP	36297	4/1/81	$30.25	$43.28
Fort Wayne, inside City	MUN	44162	12/18/13	$24.30	$30.88
Fort Wayne, outside City	MUN	44162	12/18/13	$27.98	$35.57
Fortville	MUN	43551-U	10/7/09	$27.15	$37.42
German Township	NFP	42282	3/26/03	$23.75	$35.03
German Township Stewartsville	NFP	42282	3/26/03	$40.36	$51.64
German Township, Marrs Division	NFP	42282	3/26/03	$52.11	$76.79
Gibson Water	NFP	43918	11/4/10	$34.43	$51.21
Hammond	MUN	37653	6/5/85	$2.20	$3.28
Hessen Utilities	IOU	30805	7/30/65	$6.00	$6.00
Indiana American	IOU				
Area One					
Crawfordsville*, Johnson Co. - (Greenwood*), Kokomo*, Southern IN - (Jeffersonville*, New Albany*), Newburgh*, Muncie*, Noblesville*, Richmond*, Sullivan*, Wabash Valley* (Terre Haute & Farmersburg), Warsaw*, Waveland*	IOU	44022	6/6/12	$41.47	$52.81
Northwest IN - Chesterton*, Gary*, Hobart*, Merrillville*, Portage*	IOU	44022	6/6/12	$38.02	$49.37
Southern IN - (Clarksville), Seymour, Summitville, West Lafayette	IOU	44022	6/6/12	$37.35	$48.69
Shelbyville Only	IOU	44022	6/6/12	$41.88	$53.22
Franklin Only	IOU	44022	6/6/12	$42.04	$53.38
Northwest IN - (Burns Harbor Only)	IOU	44022	6/6/12	$39.20	$50.55

Northwest IN - (Porter Only)	IOU	44022	6/6/12	$38.32	$49.67
Northwest IN - (Lake Ridge Only)	IOU	44022	6/6/12	$40.99	$52.34
Utility Name	Ownership	Last Rate Case	Effective Date	5,000 gal.	7,500 gal.
Area Two					
Mooresville*, Winchester*, Wabash*	IOU	44022	6/6/12	$37.74	$47.22
Indiana Water Service, Inc.	IOU	44097	11/7/12	$22.30	$33.45
J.B. Waterworks	IOU	44115	5/9/12	$27.43	$39.91
Jackson County	NFP	43289	1/4/08	$42.83	$63.48
Kingsbury	IOU	43297	1/16/08	$18.75	$26.80
Kingsford Heights	MUN	43502-U	3/4/09	$35.35	$44.25
Knightstown*	MUN	43440	7/30/08	$30.25	$40.33
Lafayette	MUN	41845	5/9/01	$12.13	$17.13
Lafayette- rural	MUN	41845	5/9/01	$12.67	$17.67
LMS Townships	C.D.	44224-U	3/27/13	$25.16	$35.69
Libertytree Campground	NFP	41662	12/22/04	$8.58	$8.58
Mapleturn	NFP	37039	9/28/03	$22.15	$24.05
Marion*	MUN	42720	3/30/05	$27.02	$33.63
Martinsville*	MUN	44153	12/12/12	$37.45	$47.40
Marysville-Otisco-Nabb	NFP	42476-U	1/14/04	$36.60	$48.75
Michigan City*	MUN	42517	3/31/04	$20.92	$27.64
Morgan County Rural	NFP	42993	5/14/08	$52.53	$78.28
Morgan County Rural, Western Exp.	NFP	42993	5/14/08	$62.27	$88.02
New Castle	MUN	42984	9/13/06	$27.14	$34.33
North Dearborn	NFP	43736	10/1/09	$34.25	$55.20
North Lawrence	NFP	43716	8/11/10	$49.99	$66.48
Ogden Dunes	MUN	43295	1/16/08	$28.64	$41.32
Painted Hills	IOU	37017	10/17/83	$27.75	$37.00
Pence	NFP	44051	2/1/12	$35.00	$35.00
Petersburg	MUN	43757	5/11/10	$23.35	$32.58
Pioneer	IOU	41089	8/26/98	$35.00	$40.00
Wells Homeowners Association	NFP	40056	4/12/95	$30.00	$30.00
Pleasant View	IOU	41591-U	4/12/00	$35.30	$52.95
Posey Township	NFP	43875	12/7/10	$38.63	$52.88
Princeton	MUN	43652	3/3/10	$39.36	$55.46

Rhorer, Harrell & Schacht	NFP	43934-U	3/2/11	$33.93	$48.62
Utility Name	Ownership	Last Rate Case	Effective Date	5,000 gal.	7,500 gal.
Schererville*	MUN	42872	12/14/05	$26.53	$37.76
Shady Side Drive	NFP	38869	7/18/90	$21.96	$32.76
Silver Creek*	NFP	37734	6/5/85	$28.75	$42.35
South 43	NFP	43909	10/27/10	$25.33	$37.55
South Bend, inside*	MUN	44250	2/12/13	$15.34	$20.32
South Bend, outside*	MUN	44250		$18.01	$23.98
Southern Monroe	NFP	43952	5/11/11	$32.15	$46.40
St. Anthony	NFP	39193	10/19/91	$38.50	$56.08
Stucker Fork Conservancy Dist. (City of Austin customers)	C.D.	43780	4/14/10	$28.59	$37.89
Stucker Fork Conservancy Dist.	C.D.	43780	4/14/10	$24.40	$33.70
Sugar Creek Utility Company	IOU	43579	9/8/10	$18.36	$18.36
Southwestern Bartholomew	NFP	43329	3/5/08	$39.36	$58.04
Sullivan-Vigo	NFP	42599	6/23/04	$71.05	$103.75
Tri-County	CD	Conf. Min	6/11/08	$35.40	$46.03
Tri-Township	NFP	40327	4/17/96	$19.85	$27.61
Twin Lakes	IOU	43957	2/22/12	$28.38	$36.23
Town of Cedar Lake	MUN	43655	4/29/09	$43.55	$62.33
Utility Center - Aqua	IOU	43874	4/13/11	$35.09	$49.23
Van Bibber Lake	C.D.	42549-U	11/18/04	$23.40	$23.40
Van Buren Water	NFP	43948	3/2/11	$28.05	$40.55
Waldron	C.D.	42376	2/11/04	$25.98	$37.93
Washington Twp. Of Monroe	NFP	42672	7/28/04	$35.51	$48.46
Wastewater One, LLC dba River's Edge	IOU	42234	2/5/03	$22.55	$33.83
Water Service Co. of IN	IOU	42969	8/30/06	$22.24	$32.49
Wedgewood Park	IOU	44369	11/6/13	$31.15	$41.75

Note: This bill analysis should be construed as an informative guideline as a snapshot in time. Do not use this analysis to draw conclusions about performance since many factors (such as size, resources and customer density, etc.) affect the bill calculations.

* Fire protection surcharge for 5/8 inch meter included
** Fire protection charge for a 5/8 inch meter included in base charge
*** The location of these customers determines whether the fire protection surcharge applies.

Ownership Key:
MUN- Municipally Owned Utility IOU – Investor-Owned Utility
NFP – Not-for-Profit Utility CD – Conservancy District

Appendix G – Residential Wastewater Bill Survey

Comparison by Gallon Usage (5,000 gallons or 668.4028 cu. ft.) (January 1, 2014)

Utility Name	Ownership	Last Rate Case	Effective Date	Average Monthly Bill
Aldrich Environmental, LLC	IOU	42805	9/28/05	$50.00
American Suburban Utilities, Inc.	IOU	41254	4/14/99	$47.50
Anderson Lake Estates Homeowners Association Inc.	NFP	42478	7/7/04	$42.35
Apple Valley Utilities, Inc	IOU	40191	8/2/95	
Bluffs Basin Utility Company, LLC	IOU	42188	3/5/03	$46.88
Brushy Hollow Utilities, Inc	IOU	44345-U	11/6/13	$51.90
Centurian Corporation	IOU	40157	8/30/95	$65.00
Consumers Indiana Water Company	IOU	42190	6/19/02	$57.42
Country Acres Property Owners Association	NFP	36972	12/16/82	$6.00
CWA Authority, Inc.	NFP	43936	7/13/11	$28.34
Damon Run Conservancy District (outside district)	CD	44146	6/19/13	$97.73
Devon Woods Utilities, Inc.	IOU	40234-U	1/31/96	$41.88
Doe Creek Sewer Utility	IOU	43530-U	6/10/09	$48.00
Driftwood Utilities, Inc.	NFP	43790-U	6/3/10	$38.10
Eastern Hendricks County Utility, Inc.	IOU	43795-U	4/30/10	$42.89
Eastern Richland Sewer Corporation	NFP	44271-U	6/26/13	$42.46
Hamilton Southeastern Utilities, Inc.	IOU	43761	8/18/10	$34.63
Harbortown Sanitary Sewage Corporation	IOU	35455	6/3/87	$18.00
Heir Industries, Inc	IOU	43949	7/27/11	$70.11
Hessen Utilities, Inc.	IOU	30805	7/30/65	$4.00
Hillview Estates Subdivision Utilities, Inc.	IOU	38737-U	5/31/89	$30.00
Howard County Utilities, Inc.	IOU	43294	1/23/08	$69.00
Indiana American Water Company-Muncie & Somerset	IOU	43680	4/30/10	$69.46
JLB Development, Inc.	IOU	39868	4/28/95	$65.53
Kingsbury Utility Corporation	IOU	43296-U	1/16/08	$39.00
Lakeland Lagoon Corp.	NFP	41597-U	12/5/12	$73.14
LMH Utilities Corporation	IOU	43431	1/21/09	$46.59
Mapleturn Utilities, Inc.	NFP	43777-U	3/24/10	$59.57
Old State Utility Corporation	IOU	43627	5/11/10	$80.14
Pleasantview Utilities, Inc.	IOU	43313-U	4/23/08	$24.38
Prairie Utilities Inc.	IOU	44158	3/14/13	$105.25
Sani Tech, Inc.	IOU	43793-U	9/8/10	$76.00

Utility Name	Ownership	Last Rate Case	Effective Date	Average Monthly Bill
Sanitary District of Hammond	NFP	43307	1/4/08	$13.38
South County Utilities, Inc.	IOU	43799-U	6/16/10	$64.85
South Haven	IOU	43974	10/19/11	$76.86
Southeastern Utilities, Inc.	IOU	43794-U	4/7/10	$61.71
Sugar Creek Utility Company, Inc.	IOU	43579	9/8/10	$48.27
Twin Lakes Utilities, Inc.	IOU	43957	2/22/12	$45.14
Utility Center, Inc. (metered)	IOU	43874	4/13/11	$46.98
Utility Center, Inc. (unmetered)	IOU	43874	4/13/11	$59.21
Wastewater One, LLC dba Rivers Edge	IOU	43115	8/25/10	$39.85
Wastewater One, LLC (Galena WW Treatment Plant)	IOU	43779	6/16/10	$84.79
Water Service Company of Indiana, Inc.	IOU	44104	3/27/13	$99.24
Webster Development, LLC (w/out meter)	IOU	44244-U	5/22/13	$98.60
Webster Development, LLC (w/meter)	IOU	44244-U	5/22/13	$100.60
Wildwood Shores	IOU	43699-U	5/19/10	$80.00
Wymberly Sanitary Works, Inc.	IOU	42877-U	3/22/06	$80.00

Note: This bill analysis should be construed as an informative guideline as a snapshot in time. Do not use this analysis to draw conclusions about performance since many factors (such as size, resources and customer density, etc.) affect the bill calculations.

Annual Budget

Fiscal Year 2013-2014

Expenses	Allotments	Expenditures
Personnel [1]	$6,870,908.00	$6,338,919.34
Other Operations Expenses[2, 3]	$1,870,630.00	$1,821,449.06
Total[3]	$8,741,538.00	$8,160,368.40

[1] $531,988.66 is a reversion not spent as of the end of fiscal year 2014
[2] $55,023.75 is an encumbrance not spent as of the end of fiscal year 2014
[3] Starting with fiscal year 2013-2014, all categories outside of personnel expenses are included in "other Operating Expenses." Such expenses include contracts and external services, supplies and materials, capital and equipment, social service payments, and administrative costs. $581,169.60 was unspent and will be reverted in 2015-2016 public utility fee calculation.

Public Utility Fee

Billable Portion of the Budget

2013-2014 Budget		
Utility Regulatory Commission	$8,741,538	
Utility Consumer Counselor	$5,627,974	
Expert Witness Fund	$852,000	
Contingency Fund	$250,000	
	Total 2013-2014 Budget	$15,471,512
2012-2013 Budget Augmentations		
Utility Regulatory Commission		$685,850.46
Utility Consumer Counselor	--	--
2011-2012 Reversions		
Utility Regulatory Commission	--	
Utility Consumer Counselor	$133,269	
Expert Witness Fund	$126,157	
	Total 2011-2012 Reversions	$259,426
Billable Portion of the 2012-2013 Budget		$15,897,937
2012 Utility Intra-State Revenues		
Electric Utilities	$7,847,809,247	
Gas Utilities	$1,222,215,159	
Sewer Utilities	$32,708,272	
Telecommunications Utilities	$2,631,268,539	
Water Utilities	$220,338,709	
	Total Intra-State Revenues	$11,954,339,926
2013-2014 Public Utility Fee Billing Rate		
Billable Portion of the 2013-2014 Budget	$15,897,937	
Divide By: Total 2012 Utility Intra-State Revenues	$11,954,339,926	
2011-2012 Public Utility Fee Billing Rate		.001329888

Acronyms

A

ADSL – Asynchronous Digital Subscriber Line

AEP – American Electric Power

AFUDC – Allowance for Funds Used During Construction

AGA – American Gas Association

AOS – Alternative Operator Service

ARP – Alternative Regulatory Plan

AWWA – American Water Works Association

B

Bcf – Billion cubic feet

BPL – Broadband over Power Lines

BTS – Basic Telecommunications Service

Btu – British thermal unit

C

CAIR – Clean Air Interstate Rule

CalWaRN – California Water/Wastewater Agency Response Network

CAMR – Clean Air Mercury Rule

CCR – Coal Combustion Residual

CCT – Clean Coal Technology

CETCs – Competitive Eligible Telecommunications Carriers

CGA – Common Ground Alliance

CIAC – Contributions In Aid of Construction

CLEC – Competitive Local Exchange Carrier

CMRS – Commercial Mobile Radio Service

CNG – Compressed Natural Gas

CPCN – Certificate of Public Convenience and Necessity

CPI – Consumer Price Index

CSAPR – Cross State Air Pollution Rule

CSO – Combined Sewer Overflow

CSP – Communications Service Provider

CT – Combustion Turbine

CTA – Certificate of Territorial Authority

CWA – Clean Water Act

D

DIMP – Distribution Integrity Management Program

DOE – Department of Energy (Federal)

DSA – Designated Service Area

DSIC – Distribution System Improvement Charge

DSL – Digital Subscriber Line

DSM – Demand Side Management

DVR – Digital Video Recorder

DWSRF – Drinking Water State Revolving Loan Fund

E

EA – Emissions Allowance

EAP – Energy Assistance Program

EEFC – Energy Efficiency Funding Component

EIA – Energy Information Administration

EPA – U.S. Environmental Protection Agency

EPAct – Energy Policy Act of 2005

E&R – Extensions and Replacements

ERO – Electric Reliability Organization

ETC – Eligible Telecommunications Carrier

EV – Electric Vehicle

F

FAC – Fuel Adjustment Clause

FCC – Federal Communications Commission

FERC – Federal Energy Regulatory Commission

FM – Federally Mandated

FT – Firm Transportation

FTA – Free Trade Agreement

FTR – Financial Transmission Rights

FTTH – Fiber-to-the-Home

H

HDPE – High Density Polyethylene

HEA – House Enrolled Act

I

ICC – Intercarrier Compensation

ICTA – Indiana Cable Telecommunications Association

IDEM – Indiana Department of Environmental Management

IDNR – Indiana Department of Natural Resources

IEDC – Indiana Economic Development Corporation

IFA – Indiana Finance Authority

IGCC – Integrated Gasification Combined Cycle

ILAP – Indiana Lifeline Assistance Program

ILEC – Incumbent Local Exchange Carrier

I&M – Indiana Michigan Power Company, subsidiary of AEP

IMP – Integrity Management Program

IMPA – Indiana Municipal Power Agency

IMS – Indianapolis Motor Speedway

INWARN – Indiana Water/Wastewater Agency Response Network

IOU – Investor-owned utility, financed by the sale of securities

IPTV – Internet Protocol Television

IPL – Indianapolis Power and Light

ISDH – Indiana State Department of Health

ISO – Independent System Operator

ISP – Internet Service Provider

IT – Interruptible Transportation

ITU – International Telecommunication Union

IUPPS – Indiana Underground Plant Protection Service

IURC – Indiana Utility Regulatory Commission

IUSF – Indiana Universal Service Fund

IXC – Interexchange Carrier

L

LCM – Life Cycle Management

LDC – Local Distribution Company

LEC – Local Exchange Carrier

LFA – Local Franchise Authority

LIHEAP – Low Income Home Energy Assistance Program

LMG – Landfill Methane Gas

LMOP – Landfill Methane Outreach Program

LNG – Liquefied Natural Gas

M

MATS – Mercury and Air Toxics Standards

Mcf – Million cubic feet

MGT – Midwestern Gas Transmission

Midwest ISO – Midwest Independent Transmission System Operator

MMBtu – One million British thermal units, rough equivalent to an Mcf

MMcf – One million cubic feet

MMTCE – Million metric tons of carbon equivalent

MS4 – Municipal Separate Storm Sewer System

MSW – Municipal Solid Waste

MTEP – Midwest ISO Transmission Expansion Plan

MVPD – Multichannel Video Programming Distributor

MW – Megawatts

MWH – Megawatt hour

N

NANPA – North American Numbering Plan Administrator

NAPSR – National Association of Pipeline Safety Representatives

NARUC – National Association of Regulatory Utility Commissioners

NCTA – National Cable and Telecommunications Association

NERC – North American Electric Reliability Council

NIPSCO – Northern Indiana Public Service Company

NO_x – Nitrogen Oxides

NOAA – National Oceanic and Atmospheric Administration

NOPR – Notice of Proposed Rulemaking

NPDES – National Pollutant Discharge Elimination System

NPMS – National Pipeline Mapping System

NRRI – National Regulatory Research Institute

NTA – Normal Temperature Adjustment

O

OCRA – Office of Community and Rural Affairs

OECD – Organization for Economic Cooperation and Development

OIG – Office of Inspector General (federal)

OMS – Organization of Midwest ISO States

OPS – Office of Pipeline Safety

OSS – Opportunity Sales Sharing

OQ – Operator Qualification

OUCC – Office of Utility Consumer Counselor

OVH **–** Ohio Valley Hub

P

PAB – Private Activity Bond

PE – Polyethylene

PEV – Plug-in Electric Vehicle

PHMSA - Pipeline Hazardous Materials Safety Administration

PIPES – Pipeline Integrity, Protection, Enforcement, and Safety

PJM – The PJM Interconnection

POLR – Provider of Last Resort

POTS – Plain Old Telephone Service

PPA – Purchase Power Agreement

PPTT – Purchased Power and Transmission Tracker

PSA – Pipeline Safety Adjustment

PSAPs – Public Safety Answering Points

PSI – PSI Energy

PSTN – Public Switched Telephone Network

PUHCA – Public Utility Holding Company Act of 1935

PUHCA 2005 – Public Utility Holding Company Act of 2005

PURPA – Public Utility Regulatory Policies Act of 1978

PVC – Polyvinyl Chloride

R

RA – Reliability Assurance

REMC – Rural Electric Membership Cooperative

RFP – Request for proposals

RLECs – Rural Incumbent Local Exchange Carriers

RSD – Regional Sewer District

RSG – Revenue Sufficiency Guarantee

RTO – Regional Transmission Organization

S

SDC – System Development Charge

SIGECO – Southern Indiana Gas & Electric Company

SNG – Synthetic Natural Gas

SO2 - Sulfur Dioxide

SOHO – Small Office Home Office

SRC – Sales Reconciliation Component

SRF – State Revolving Loan Fund

SUFG – State Utility Forecasting Group

T

TA-96 –Telecommunications Act of 1996

TDSIC – Transmission Distribution and Storage System

U

UGS – Underground storage

UNEs – Unbundled Network Elements

USAC – Universal Service Administrative Company

U.S. EPA – United States Environmental Protection Agency

USF – Universal Service Fund

USP – Universal Service Program (gas)

V

VoIP – Voice over Internet Protocol

W

Wi-Fi – Wireless Fidelity

WIFA – Water Infrastructure Finance and Innovation Act

Wi-Max – Worldwide Interoperability for Microwave Access

WRRA – Water Resources Reform and Development Act

WVPA – Wabash Valley Power Association

Glossary

A

Access Charges: Charges designed to compensate local exchange carriers for the maintenance and operation of the local exchange network after the break up AT&T in 1984 in the Modified Final Judgment. Access charges take two forms: 1) an end user access charge, also known as Subscriber Line Charge that appears on the customer's bill as a separate line item; 2) carrier access charges paid by interexchange carriers to local exchange carriers when they connect to their local networks. Such charges are determined by tariffs subject to state or federal approval depending upon the intrastate or interstate nature of the call.

Alternative Fuels: Any non-traditional energy source.

Alternate Ratemaking for Pipelines: In a series of orders in February 1996, the Federal Energy Regulatory Commission opened the door to non-cost-based rates for pipeline services, including transmission and storage, provided that a pipeline could show: 1) it did not have market power or that the power was mitigated; and (2) cost-based recourse rates were available for customers who might be disadvantaged under the new system. Pipelines are also required to show the quality of service was maintained and that market-based, incentive or negotiated rates did not shift costs to captive customers.

American Gas Association (AGA): Trade group representing natural gas distributors and pipelines. The AGA also operates a laboratory for appliance certification.

Aquifer: Water bearing permeable rock formation that is capable of storing natural gas.

Area Code Overlay: A method used to relieve area code exhaust. A new three-digit area code is associated with the same geographic boundaries of an existing area code. Because the same seven-digit telephone numbers could then be assigned out of each area code, local calls are required to be dialed with 10-digits.

Area Code Split: A method used to relieve area code exhaust. The geographic area that uses the area code is split in two and a different area code is assigned to part of the geographic area while the other area keeps the existing area code.

Asynchronous Digital Subscriber Line (ADSL): A DSL designed to deliver more bandwidth downstream (from the central office to the customer's site) than upstream. Downstream rates range from 1.5 to 9 million bits per second. See also Digital Subscriber Line.

B

Base Gas: Gas required in a storage pool to maintain sufficient pressure to keep the working gas recoverable. This is also known as "cushion" gas.

Basic Telecommunications Service (BTS): A term used in House Enrolled Act 1279 to distinguish between telecommunication services regulated until June 30, 2009 and services that were unregulated on or before March 27, 2006. BTS is defined as standalone telephone exchange service that is provided to a residential customer through the customer's primary line; is the sole service purchased by the customer; is not a part of a package, promotion, or contract; and, not otherwise offered at a discounted price.

British Thermal Unit (Btu): The quantity of heat required to raise one pound of water (about one pint) one degree Fahrenheit at or near its point of maximum density. A common unit of measurement for gas prices. 1,034 Btus = 1 cubic foot.

Broadband: Advanced communications systems capable of providing high-speed transmission of services such as data, voice, and video over the Internet and other networks. Transmission is provided by a wide range of technologies, including digital subscriber line and fiber optic cable, coaxial cable, wireless technology, and satellite. Broadband platforms make possible the convergence of voice, video and data services onto a single network.

Bundled Resale of Local Exchange: Competitive local exchange carriers can compete by reselling the services of the incumbent local exchange carrier (ILEC) in this form. They purchase the services of the ILEC at wholesale rates hoping to resell them to retail customers at a profit. Each of Indiana's three large ILECs offer wholesale discounts to competitive carriers.

Bundled Service: Gas utility that operates as both the supplier and distributor of natural gas.

C

Capacity: The size of a plant (not its output). Electric utilities measure size in kilowatts or megawatts and gas utilities measure size in cubic feet of delivery capability.

Carbon Capture: The process of capturing carbon dioxide produced in the combustion of fuel to facilitate its disposal.

Carbon Sequestration: The storage of carbon dioxide in geological formations to prevent its release into the atmosphere.

Certificate of Public Convenience and Necessity (CPCN): A special permit commonly issued by a state commission that authorizes a utility to engage in business, construct facilities or perform some other service. Also a permit issued by the Federal Energy Regulatory Commission to engage in the transportation or sale for resale of natural gas in interstate commerce, or to construct or acquire and operate any facilities necessary.

City Gate: The physical location where gas is delivered by a pipeline to a local distribution company.

Coal Gasification: The controlled process of placing coal, steam, and oxygen under pressure to produce a low Btu gas.

Coal Bed Methane: Any gas produced from a coal seam.

Commodity Charge: The charge that covers the pipeline's variable costs in a Straight Fixed Variable rate design. Also referred to as a "usage charge."

Communications Act of 1934: Established the Federal Communications Commission (FCC), which operates as an independent U.S. government agency overseen by Congress. The FCC oversees broader communications policies and regulates interstate and international communications by radio, television, wire, satellite, and cable in all 50 states, the District of Columbia and U.S. territories.

Communications Service Provider (CSP): A term used in House Enrolled Act 1279 that means a person or entity offering communications services to customers in Indiana, without regard to the technology or medium used by the person or entity to provide the communications service.

Condemnation Action: A legal proceeding whereby a municipality exercises its power of eminent domain and condemns utility property that results in the transfer of utility property to the municipality.

Conditional Congestion Area: As designated by the U.S. Department of Energy, as areas where electric utilities have planned generation, and while some transmission congestion is present, significant congestion would result if transmission is not built in conjunction with the new generation resources.

Cooperative: A business entity similar to a corporation, except that ownership is vested in members rather than stockholders and benefits are in the form of products or services rather than profits.

Cost-of-Service Rates: Rates based on prudently incurred costs of doing business, plus a reasonable rate of return on investment in plant and equipment, and throughput projections. This is the rate development methodology commonly used by state or federal regulators.

Cramming: A practice in which customers are billed for unexpected and unauthorized telephone charges or services. Refers to the fact that the charges are crammed into the telephone bill in an inconspicuous place so the charges go unnoticed by the customer.

Customer Charge: A fixed amount to be paid periodically by a customer without regard to demand or energy actually used. The customer charge recovers the cost of meters and other administrative costs of billing.

D

Decoupling: Alternative rate design theory that separates the recovery of a utility's fixed costs from the volume of natural gas sold.

Dekatherm (Dth): A unit of heating value equal to 10 therms or one million Btus (1MMBtu). Roughly, 1Mcf = 1, MMBtu = 1 Dth

Demand Response: Reducing the use of electricity to meet local or regional power system needs rather than increasing the output of electricity.

Demand Side Management (DSM): The process of managing the consumption of energy, generally to optimize available and planned generation resources.

Digital Subscriber Line (DSL): A generic term for digital lines provided by incumbent or competitive local exchange carriers that allows the customer to use the same subscriber line for voice and data simultaneously without subscribing to a second line for Internet access.

Distribution: The component of a gas, electric or water system that delivers gas, electricity, or water from the transmission component of the system to the end-user. Usually the commodity has been altered from a high pressure or voltage level at the transmission level to a level that is usable by the consumer. Distribution is also used to describe the facilities used in this process.

Distribution System Improvement Charge: A mechanism available to water utilities to pass the costs of infrastructure replacement onto their customers between rate cases on a more expedited basis.

Ductile Iron: Pipe material commonly used for potable water transmission and distribution. This type of pipe is a direct development of earlier cast iron pipe, which it has superseded.

E

Effluent: The water that is discharged after being treated at a sewage plant.

Eligible Telecommunications Carrier (ETC): A common carrier eligible to receive universal service support. An ETC is required to offer services that are supported by the federal universal support mechanisms either using their own facilities or a combination of its own facilities and resale of another carrier's services. State commissions are responsible for the designation of ETCs.

End Use: The final use to which gas or electricity is put by the ultimate consumer.

Energy Information Administration: Statistical information collection and analysis branch of the Department of Energy.

Energy Independence & Security Act of 2007: A comprehensive energy law that focuses on improved efficiency standards, and the research and development of energy technologies and infrastructure.

Energy Policy Act of 1992: This act authorized the Federal Energy Regulatory Commission to order wholesale wheeling of electricity while explicitly restraining its power to order retail wheeling. The Act also created a new legal category of electricity generating and sales companies, referred to as "Exempt Wholesale Generators," that are free from the Public Utility Holding Company Act of 1935 restrictions.

Energy Policy Act of 2005: Major provisions regarding the electricity industry included the creation of the Public Utility Holding Company Act of 2005, clean coal, nuclear, wind, and alternative energy initiatives, establishment of an Electric Reliability Organization, incentive rates for transmission investment, transmission siting, smart metering, net metering, utility interconnection with distributed generation, increased efficiency of fossil-fuel power plants, and the increased diversity of fuel sources to generate electricity.

Environmental Protection Agency: A federal agency created in 1970 to execute federal research, monitoring, standards setting and enforcement actions related to protecting the environment.

F

Facilities-based Interexchange: A carrier that offers facilities-based interexchange deploys their own tandems and/or trunks as opposed to purchasing blocks of time from other interexchange carriers and reselling the services to retail customers.

Facilities-based Local Exchange: A carrier that offers facilities-based local exchange may construct and deploy its own networks or it may rely on unbundled network elements from incumbent local exchange carriers or a combination of the two.

Federal Energy Regulatory Commission (FERC): The U.S. federal agency with jurisdiction over interstate electricity sales, wholesale electric rates, hydroelectric licensing, natural gas pricing, and oil pipeline rates. The FERC also authorizes liquefied natural gas terminals, interstate natural gas pipelines and non-federal hydropower projects.

FiOS: Verizon's broadband initiative featuring fiber to the premise that is being deployed in several areas throughout the U.S.

Firm Service: The highest quality sales or transmission service that is offered to customers under a filed rate schedule that anticipates no planned interruption.

Fixed Costs: All costs included in the cost of service that do not fluctuate with the volume of the commodity passing through the system (e.g., labor, maintenance, and taxes).

G

Gigabit: A unit of measurement for the amount of data that is transferred in a second between two telecommunication points. One gigabit per second (Gbps) equals one billion bps.

Gasification: 1) The conversion of carbonaceous material into gas or the extraction of gas from another fuel. 2) The process during which liquefied natural gas is returned to its vapor or gaseous state through an increase in temperature and a decrease in pressure.

Gathering System: Pipelines and other equipment installed to collect, process, and deliver natural gas from the field, where it is produced, to the trunk or main transmission lines of pipeline systems.

Generation: The process of producing electricity. Also refers to the assets used to produce electricity for transmission and distribution.

H

Heartland: Heartland Gas Pipeline, LLC

Hedging: A method by which a purchaser or producer of natural gas or electricity uses a derivative position to protect against adverse price movements in the cash market by "locking in" a price for future delivery.

Holding Company: A corporate structure where one company holds the stock (ownership) of one or more other companies but does not directly engage in the operation of any of its business.

I

Indiana Lifeline Assistance Program (ILAP): A state program required by House Enrolled Act 1279 for the purpose of offering reduced charges for basic telecommunications services to eligible customers (customers with income that falls within 150 percent of the Federal Poverty Guidelines or participates in certain assistance programs, such as Medicaid, food stamps, etc).

Independence Hub: A large natural gas production platform in the Gulf of Mexico.

Independent System Operator (ISO): An independent organization or institution that controls the electric transmission system in a particular region.

Indiana Utility Regulatory Commission: An independent fact-finding body that hears evidence in cases filed before it and makes decisions based on the evidence presented in those cases. An advocate of neither the public nor the utilities, the Commission is required by state statute to make decisions that balance the interests of all parties to ensure the utilities provide adequate and reliable service at reasonable prices.

Integrated Gasification Combined Cycle (IGCC) Facility: A power plant using synthetic gas as a source of clean fuel. Syngas is produced from coal (or other fuels) in a gasification unit. Steam generated by waste heat boilers of the gasification process is utilized to help power steam turbines.

Integrity Management: Specifies how pipeline operators must identify, prioritize, assess, evaluate, repair and validate - through comprehensive analyses - the integrity of gas pipelines that, in the event of a leak or failure, could affect High Consequence Areas.

Intercarrier Compensation (ICC): Per the FCC, refers to the charges that one carrier pays to another carrier to originate, transport, and/or terminate telecommunications traffic.

Internet Protocol Television (IPTV): A system where a digital television service is delivered by using Internet Protocol over a network infrastructure that may include delivery by a broadband connection.

Interruptible Transportation Service: Conditional gas service interrupted at the option of the pipeline. Also, referred to as "best efforts." Tariffs for interruptible service are cheaper than firm service. Electric providers may offer a similar service.

Interstate Gas: Gas transported through interstate pipelines to be sold and consumed in states other than the one in which it was produced. Also, refers to gas produced in the federal domain of the Outer Continental Shelf.

Intrastate Gas: Gas sold and consumed in the state in which it was produced and not transported in interstate pipelines.

Investor-Owned Utility: A utility financed by the sale of securities.

J

Joint Board: Also known as the Federal-State Joint Board, instituted by the Federal Communications Commission to recommend changes of any of its regulations in order to implement section 214(e) of the Telecommunications Act of 1996, including the definition of services that are supported by the Federal universal service support mechanisms.

K

Kilobit: A unit of measurement for the amount of data that is transferred in a second between two telecommunication points. One kilobit per second (Kbps) equals 1000 bit per second (bps).

Kilowatt (kW): A basic unit of measurement; 1kW = 1,000 watts.

Kilowatt-Hour (kWh): One kilowatt of power supplied to or taken from an electric circuit steadily for one hour.

L

Landfill Gas: Gas produced by aerobic and anaerobic decomposition of a landfill generally composed of approximately 55% methane and 45% carbon dioxide, sometimes refined with membrane methods to eliminate the carbon dioxide.

Liquefied Natural Gas (LNG): Natural gas converted to a liquid state by pressure and severe cooling, and then returned to a gaseous state to be used as a fuel. It is stored by many distributors for peak season use.

M

Mandatory Number Pooling: Requires carriers to share a pool of numbers with the same exchange. Without number pooling each competitive local exchange carrier is assigned an entire exchange or 10,000 block of phone numbers, which may not all be needed. With number pooling, exchanges can be broken down into blocks of 1,000, as known as "thousand block number pooling."

Megabit: A unit of measurement for the amount of data that is transferred in a second between two telecommunication points. One megabit per second (Mbps) equals one million bps.

Megawatt (MW): One thousand kilowatts or one million watts.

Megawatt-Hour (MWh): One megawatt of power supplied to or taken from an electric circuit steadily for one hour.

Merchant Plant: A power plant that is funded by investors and sells electricity in the competitive wholesale market.

Methane: The main component of natural gas.

Midcontinent ISO: The Midcontinent ISO (f/k/a Midwest ISO) was formed by transmission owners in 1996, and is based in Carmel, Indiana. The Midcontinent ISO's main responsibility is to ensure the safe and reliable transfer of electricity in the region and ensure fair access to the transmission system.

Multi-Association Group Order (MAG Order): A Federal Communications Commission Report and Order adopted October, 2001 which prescribed access charge reform measures that affected small, rural incumbent local exchange carriers.

Municipalization: When a municipally-owned utility acquires an investor-owned utility serving a city or town.

Municipal Utility: A utility that is owned and operated by a municipal government. These utilities are organized as nonprofit local government agencies and pay no taxes or dividends; they raise capital through the issuance of tax-free bonds.

N

National Interest Electric Transmission Corridor: As established in the Energy Policy Act of 2005, any geographic area experiencing electric energy transmission capacity constraints or congestion that adversely affects consumers.

Normal Temperature Adjustment (NTA): A decoupling mechanism that reduces the risk of the gas utility not recovering margin due to warmer-than-normal (vice versa) during the heating season.

Not-for-profit Utility: A utility that does not distribute its surplus funds to owners or shareholders but uses them to pursue its goals.

NPDES Permits: Permits that allow utilities to discharge wastewater effluent into waterways.

O

Order 436: A Federal Energy Regulatory Commission rule promulgated in October 1985, establishing a voluntary, open-access system of natural gas transportation.

Order 500: An interim natural gas rule on open-access transportation, replacing Order 436. Order 500 embodied all the elements of Order 436 with three additions: forcing producers to credit transportation volumes against accruing take-or-pay (cross-crediting); allowing pipelines to direct bill customers for part of past take-or-pay charges; and allowing pipelines to fashion gas inventory charges (or supply reservation fees) to take care of future take-or-pay.

Order 636: Commonly known as the "Restructuring Rule," Order 636 provides for pipeline companies to change from being merchants of natural gas to being transporters of natural gas and allows open-access transportation services regardless of who owns the gas.

Order 712: Revised regulations governing interstate natural gas pipelines to reflect changes in the market for short-term transportation services on pipelines and to improve the efficiency of the capacity release program.

Organization of Midcontinent ISO States (OMS): A group of state utility commissions in the Midcontinent ISO footprint that acts as an adviser on some Midcontinent ISO functions.

P

Peak Shaving: Supply of fuel gas for distribution systems from an auxiliary source of limited supply and higher cost (e.g., propane, liquefied natural gas) during periods of maximum demand when the primary source is not adequate. Electricity providers may also use peak shaving to reduce demand at peak periods. Service interruptions and customer-owned generation are methods electricity providers use for peak shaving.

PJM Interconnection: The PJM Interconnection is the regional transmission organization (RTO) responsible for the operation and control of the bulk power system throughout all or portions of Delaware, Indiana, Illinois, Kentucky, Maryland, Michigan, New Jersey, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia. PJM became the first fully functioning RTO in 1997.

Point-to-Point Transmission: The reservation and/or transmission of electricity on either a firm basis and/or a non-firm basis from point(s) of receipt to points(s) of delivery, under a tariff, including any ancillary services that are provided by the transmission provider.

Private Activity Bonds: Municipal bonds that are issued to finance facilities for investor-owned or not-for-profit water utilities.

Privatization: When an investor-owned utility acquires a municipally-owned utility.

Public Utility Holding Company Act of 1935 (PUHCA): A federal law to facilitate the regulation of electric utilities, by either limiting their operations to a single state, and thus subjecting them to effective state regulation, or forcing divestitures so that each became a single integrated system servicing a limited geographic area. Another purpose of the PUHCA was to keep utility holding companies engaged in regulated businesses from engaging in unregulated businesses. The PUHCA required Securities and Exchange Commission approval prior to a holding company engaging in a non-utility business and that such businesses be kept separate from the regulated business. The PUHCA was repealed by the Energy Policy Act of 2005, and replaced by what is known as the Public Utility Holding Company Act of 2005.

Public Utility Regulatory Policies Act (PURPA): A federal law passed in 1978 as part of the National Energy Act. It was meant to promote greater use of renewable energy. Implementation of the act was left to the states. The PURPA was amended in 2005 by the Energy Policy Act of 2005 sections 1251 through 1254.

Pulverized Coal: Coal that is ground into dust using a powdered coal mill and used as the fuel in a power plant to generate electricity.

Purchasing Cooperative: A type of cooperative arrangement, often among businesses, to agree to aggregate demand to get lower prices from selected suppliers.

Q

Quadruple Play: A service bundle that includes high-speed data, telephony, television and wireless communications services.

R

Rate Base: The investment value established by a regulatory authority upon which a utility is permitted to earn a specified rate of return.

Rate Design: The method of classifying fixed and variable costs between demand and commodity components.

Rate of Return: The percentage that a company earns on its investment.

Raw Natural Gas: Natural gas brought from underground up to the wellhead. Natural gas found at the wellhead is not as pure as processed or pipeline quality natural gas used by consumers. Raw natural gas comes from three types of wells: oil wells, gas wells, and condensate wells.

Reclaimed Water: Wastewater that has been treated to remove solids and certain impurities, and used for irrigation or recharging aquifers.

Reliability: A term used in both the electric and gas industry to describe the utility's ability to provide uninterrupted service of gas or electricity. Reliability of service can be compromised at any level of service: generation or production, transmission or distribution.

Renewable Portfolio Standard: A requirement that a specified portion of a utility's electricity be supplied by energy sources defined as renewable.

S

Service Territory: Under the current regulatory environment, an electric utility is granted a franchise to provide energy to a specified geographical territory, designated as a service territory.

Slamming: The practice of switching a telephone customer's long distance or local service provider without obtaining permission from the customer.

Smart Grid: An electricity delivery system that encompasses devices and technologies designed to improve the efficiency of energy use and the transfer of energy across it.

Small Utility Filing: A process where a utility, which serves under 5,000 customers, primarily residential, and does not serve extensively another utility, can increase its rates without a formal public hearing.

Spot Market: A market characterized by short-term, typically interruptible, or best efforts contracts for specified volumes. The bulk of natural gas spot market trades on a monthly basis, while power marketers sell spot supplies on an hourly basis.

Storage: Facilities used to store natural gas that is transferred from its original location. Usually consists of natural geological reservoirs like depleted oil or gas fields, waterbearing sands sealed on top by impermeable cap rock, underground salt domes, bedded salt formations, or in rare cases, abandoned mines.

Straight-Fixed Variable Rate Design: Rate design methodology that allocates all fixed costs to the demand component and allocates all variable costs to the commodity, or volumetric, component. Also called "Fixed Variable."

Supply Side Management: The systematic development of a gas supply plan or an electric resource plan.

Synthetic Natural Gas (SNG): Energy-rich vapors manufactured from coal.

System Development Charge: A one-time charge assessed by water and wastewater utilities to new customers to finance development of utility systems necessary to serve those new customers. The purpose is to impose a portion of the cost of capital improvements upon those developments that create the need for, or increase demand for capital improvements.

Sub-metering/Sub-billing: The practice where a consumer of utility service, usually an apartment complex or a mobile home park, passes along the cost of water or electric service to the tenants of the complex or park through a separate utility bill.

T

Take-and-Pay: Clause that requires a minimum quantity of natural gas to be physically taken and paid for, usually in association with oil, or wells, that will be damaged by failure to produce.

Tariff: Compilation of all effective rate schedules for a company, along with general terms and conditions of service.

Telecommunications Act of 1996: Amended the Communications Act of 1934. Represented a major change in American telecommunication law, as it was the first time that the internet was included in broadcasting and spectrum allotment. Primary goal of legislation was deregulation of the converging broadcasting and telecommunications markets.

Therm: Unit of heating value equivalent to 100,000 Btus.

Transmission: The process of transferring energy (either gas or electricity) or water from the production or generation source to the point of distribution. Also refers to the facilities used for this process.

Triple Play: A service bundle that includes telephone, high-speed Internet access, and television.

U

Unaccounted for Gas: The difference between the total gas available from all sources and the total gas accounted for as sales, net interchange, and company use. This difference includes leakage or other actual losses, discrepancies due to meter inaccuracies, variations of temperature and/or pressure, and other variants, particularly billing lag.

Unbundled Network Elements: The Telecommunications Act of 1996 required that independent local exchange carriers unbundled their network elements to make them available to competitive local exchange carriers on the basis of incremental costs.

Universal Service: A policy designed to promote service for everyone.

Unserved Energy: Electricity demand that the utility is unable to supply. In the electric utility planning process, unserved energy helps identify when and what type of new resources may be needed in the future.

V

Volatility: The market's price and movement within that range. Historic volatility indicates how much prices have changed in the past and is derived by using daily settlement prices for futures. Implied volatility measures how much the market thinks prices will change in the future, obtained from daily settlement prices for options.

Voltage: The rate at which energy is drawn from a source that produces a flow of electricity in a circuit; expressed in volts.

Voice over Internet Protocol (VoIP): Technology used to transmit voice conversations over a data network using the Internet Protocol. Such data network may be the Internet or a corporate Intranet.

W

Weatherization: Any change made to a home or building that is designed to conserve energy.

Well: A well that produces at surface conditions the contents of a gas reservoir.

Wellhead: The assembly of fittings, valves, and controls located at the surface and connected to the flow lines, tubing, and casing of the well as to control the flow from the reservoir.

Wireless Fidelity (Wi-Fi): Wi-Fi was originally a brand licensed by the Wi-Fi Alliance to describe the embedded technology of wireless local area networks (WLAN) based on the IEEE 802.11

standard. As of 2007, common use of the term Wi-Fi has broadened to describe the generic wireless interface of mobile computing devices, such as laptops in local area networks.

Withdrawal: Those uses of water that involve the physical removal of water from the ground or surface source.

Worldwide Interoperability for Microwave Access (Wi-Max): Wi-Max is a telecommunications technology aimed at providing wireless data over long distances in a variety of ways, from point-to-point links to full mobile cellular type access. Wi-MAX allows a user, for example, to browse the Internet on a laptop computer without physically connecting the laptop to a wall jack.

ENERGY CENTER
OF WISCONSIN

PREPARED BY
Energy Center of Wisconsin

Indiana's Core and Core Plus Energy Efficiency Programs

Benefits, Costs and Savings

August 14, 2014

{blank page}

Indiana's Core and Core Plus Energy Efficiency Programs

Benefits, Costs and Savings

August 14, 2014

Authors

Steve Kihm, Energy Center of Wisconsin

Melanie Lord, Energy Center of Wisconsin

749 University Row, Suite 320

Madison, WI 53705

608.210.7120

www.ecw.org

Project Manager

Steve Kihm

Acknowledgements

Energy Center of Wisconsin staff who contributed to this project includes Doug Ahl. We also wish to acknowledge the assistance provided by the staff of the Indiana Utility Regulatory Commission.

TABLE OF CONTENTS

{blank page}

INTRODUCTION

The Indiana Utility Regulatory Commission (Commission) opened an investigation into Indiana Demand Side Management (DSM) activities in 2004 (Cause No. 42693), and in 2006 directed Commission staff to assess the current state of DSM activities in the state through two phases. DSM in this context broadly refers to the implementation of activities designed to encourage consumers to reduce their electricity use. During the first phase, the Commission reviewed the status of current DSM efforts in Indiana, identified alternative models for DSM program administration and delivery, and developed recommendations for enhancing Indiana DSM efforts. Primary findings from Phase I were that, compared with other states, Indiana showed relatively low levels of energy savings, low levels of spending on DSM initiatives, and an inconsistent patchwork of program offerings. It is important to acknowledge that after the Phase I report was completed, a number of electric utilities in Indiana completed energy efficiency potential studies, and several utilities filed proposals for new DSM initiatives before the Commission. The Commission issued its Order in Phase I of Cause No. 42693 in April 2008, with the decision to commence a second phase of the proceeding.

Phase II of the proceeding considered approaches for addressing key issues discussed in the Phase I assessment, and pertained only to electricity and steam providers in Indiana. The goal of Phase II was to develop a path for improving existing approaches to electric DSM in Indiana. From November 2008 through February 2009, a series of three technical workshops were conducted with stakeholders to solicit feedback on how to address Indiana's relatively low level of DSM spending and relatively high energy consumption, as compared with other states; evaluate alternative mechanisms for addressing the inconsistent patchwork of DSM programs in Indiana; and consider the formation of an oversight board to oversee development of a more uniform statewide approach to electric DSM.

The Commission issued its order in Phase II of Cause No. 42693 in December 2009 and mandated electric utilities in Indiana to achieve significant energy savings. Key elements of the order included:

- Achievement of energy savings equal to 2% of electric sales by December 2019
- Development of a portfolio of uniform statewide DSM programs, known as the "Core" programs
- Requirement for the utilities to utilize a Third Party Administrator for the offering of the Core programs and an independent Evaluation, Measurement and Verification Administrator
- Establishment of the Demand Side Management Coordination Committee (DSMCC) to oversee implementation of the Core programs by the Third Party Administrator
- Allowance for utility-specific programs known as "Core Plus" programs

The decision to establish statewide energy efficiency programs was the result of:

a) The statutory requirement of IC 8-1-8.5, the certificate of need law, that enables Indiana's utilities to recover the costs of building electrical generating facilities and the ensuing requirements that utilities consider the availability and cost-effectiveness of alternative sources, including energy efficiency, to meet the state's energy needs;

b) The subsequent observation of variation and inconsistency among Indiana's electric utilities in implementing energy efficiency programs to reduce energy use and meet future energy needs; and

c) Subsequent findings from Commission investigations that significant reservoirs of untapped cost-effective energy efficiency potential existed throughout Indiana and that a uniform approach to providing energy efficiency programs would benefit Indiana by addressing its high energy

consumption, creating economic benefits through reduced electricity usage, providing equity and consistency in program offerings for customers, and addressing environmental issues.

In 2012, Indiana utilities began offering customers a portfolio of energy efficiency programs (Core) as one path to providing "least-cost" reliable and efficient electric service. These programs were funded from utility revenues and administered by GoodCents, a company that markets and implements energy efficiency programs for utilities, with oversight provided by the DSMCC. Savings from the programs were evaluated, measured, and verified by an independent contractor, TecMarket Works. Pursuant to SEA 340 all Core programs are scheduled to end December 31, 2014.

This report presents the benefits, costs and energy savings of the Core and Core Plus programs.

CORE PROGRAMS

Indiana's statewide Core programs consists of five programs serving residential, commercial and industrial (C&I), low income customers, and schools. The five Core programs are:

- ***Residential Home Energy Assessment*** (HEA): Free walk-through energy audit to analyze participant energy use; efficiency measures or upgrades recommended; low-cost, energy-saving measures installed (low-flow showerheads, CFL bulbs, hot water pipe wrap, and sink aerators).
- ***Residential Lighting***: The program works with retailers and manufacturers across the state to offer reduced prices at the point-of-sale on a variety of lighting products: CFLs, light-emitting diodes (LEDs), and lighting fixtures.
- ***Commercial and Industrial Prescriptive Rebate***: Rebates are available to facilities for installing energy-efficiency equipment and system improvements. Upgrades can include Lighting, Variable Frequency Drives (VFDs), HVAC, and efficient ENERGY STAR® commercial kitchen appliances.
- ***Residential Low-Income Weatherization***: Free walk-through home energy assessment that includes all HEA elements, plus full diagnostic testing (blower-door) of the home. Auditors recommend weatherization measures or upgrades, install low-cost, energy-saving measures (energy-efficient showerheads, CFL bulbs, sink aerators, pipe wrap, water heater tank wrap and air sealing). Eligible homes may also receive attic insulation through the program.
- ***Energy Efficient Schools***: This program has two components (1) Education teaches fifth-grade students about energy efficiency and how they can make an impact at school and home. Participating schools receive classroom curriculum and take-home efficiency kits; and (2) Schools Audit and Direct Install works with schools to assess all energy systems to determine if they operate efficiently. Assessment results guide schools to install appropriate upgrades and rebates available through the C&I program. The schools also receive a bundle of direct-install measures at no cost.

Six utilities participate in the Core programs:

- Duke Energy of Indiana, Inc. (Duke)
- Indiana Michigan Power Company (I&M)
- Indiana Municipal Power Agency[1]
- Indianapolis Power & Light Company (IPL)
- Northern Indiana Public Service Company (NIPSCO)
- Vectren Energy Delivery of Indiana, Inc. (Vectren)

[1] Indiana Municipal Power Agency discontinued its participation after two years, ending December 31, 2013.

CORE PROGRAM BENEFITS

The Core programs provided positive net benefits for the Hoosier state. In the aggregate, these programs returned as much as $3.00 in benefits for each dollar spent from 2012 through 2013. The Core program for commercial and industrial customers provided the most benefits—as much as $5.49 for each dollar spent.

The benefits of energy efficiency programs in Indiana are determined using four different cost-effectiveness tests:

- Total resource cost test (TRC)
- Participant cost test (PCT)
- Utility cost test (UCT)
- Ratepayer impact measure test (RIM)

Each of these tests is designed to compare costs and benefits from a different perspective. The TRC test helps determine whether energy efficiency is cost-effective overall; the PCT, UCT and RIM tests help to determine whether the program design and efficiency measures provided by the program is balanced from the perspectives of the participant, the utility and non-participants. Following is a summary of what each test is designed to do.

Table 1. Cost-effectiveness tests

Test	Approach	Question Answered
TRC	Compares program administrator and customer costs to utility resource savings	Will the total costs of energy in the utility service territory decrease?
PCT	Compares costs and benefits from the perspective of the customer installing the measure	Will the participant benefit over the measure life?
UCT	Compares program administrator costs to supply-side resource costs	Will utility bills increase?
RIM	Compares administrator costs and utility bill reductions to supply-side resources	Will utility rates increase?

The purpose of applying several different tests is to provide a more comprehensive analysis of cost-effectiveness than can be accomplished with just one of the tests. A benefit-cost ratio above 1.00 indicates that the program has positive net benefits; a benefit-cost ratio below 1.00 indicates that costs exceed benefits.

At the state level, the Core programs are cost-effective under three of the four tests (TRC, PCT, and UCT). As a rule, energy efficiency programs across the country, not just in Indiana, do not pass the RIM test because energy efficiency programs attempt to minimize bills, not rates (this is discussed in detail later in this report). Additionally, low-income programs are generally not held to the same cost-effectiveness standards since it is in the public interest to provide these programs.

Table 2 presents the results of the benefit-cost tests for each of the Core programs.

Table 2. Core program cost-effectiveness test results

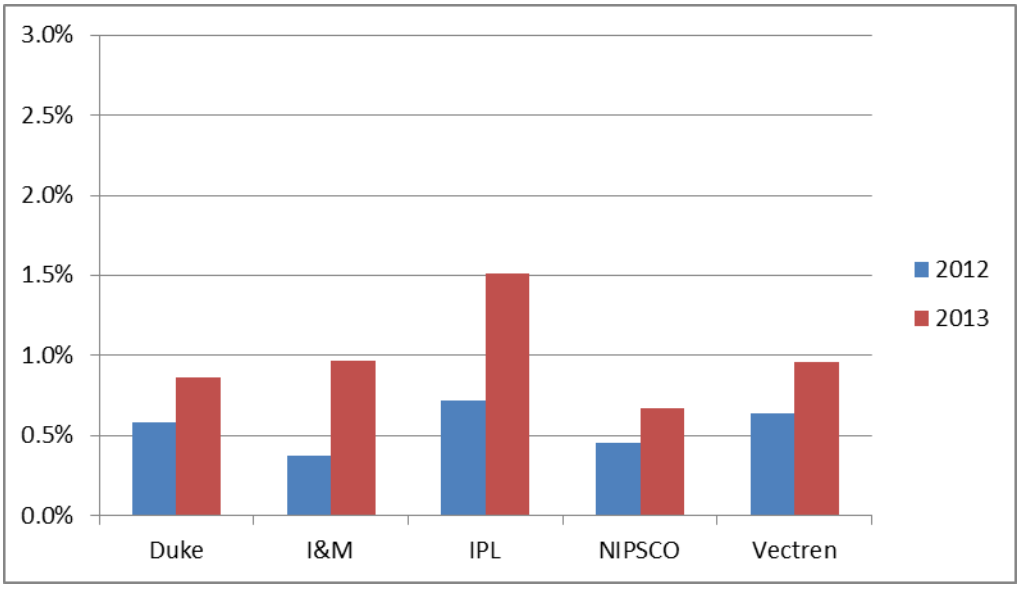
Core Program Cost-Effectiveness 2012 + 2013					
Test	**PCT**	**UCT**	**RIM**	**TRC**	**Benefit (based on TRC)**
Non-Residential Programs					
Commercial & Industrial Incentives	7.67	5	0.97	5.49	$5.49 for every $1.00 spent
School Building Assessments	NA	1.21	0.56	1.21	$1.21 for every $1.00 spent
Residential Programs					
Residential Lighting	5.02	3.24	0.81	3.03	$3.03 for every $1.00 spent
Low Income Weatherization	NA	0.88	0.49	0.88	Provides a public interest benefit
Home Energy Audit	NA	1.1	0.57	1.1	$1.10 for every $1.00 spent
School Energy Efficiency Kit	NA	2.42	0.81	2.42	$2.42 for every $1.00 spent
Total Portfolio	8.24	2.94	0.84	3.02	$3.02 for every $1.00 spent

CORE PROGRAM COSTS

Expenditures for the Core programs were $128,168,692 from 2012 through 2013, excluding money spent to brand the programs.

One means of understanding these expenditures is to compare them to the total revenues collected by the utilities. Figure 1 shows that spending on the Core programs falls between just above 0.3 percent to 1.5 percent of utility revenues.

Figure 1. Percent of spending on Core programs compared to total utility revenues for 2012 and 2013



Expenditures for 2012 and 2013 for each of the Core programs are shown in Table 3.

Table 3. Core program expenditures for 2012 and 2013

Program	2012 Expenditures	2013 Expenditures
Home Energy Assessment	$10,149,143	$25,174,399
Low-Income Weatherization	$5,875,819	$7,222,297
Energy Efficient Schools	$7,302,788	$8,283,575
Residential Lighting	$6,200,456	$7,763,131
Commercial and Industrial	$12,868,681	$37,328,403
Branding	$689,544	$344,778
	$43,086,431	$86,116,583

Costs for Core Program Administration and Evaluation

The costs to provide energy efficiency programs to Indiana electricity consumers include expenditures associated with the independent administrator that facilitates coordination among utilities to deliver the five Core programs statewide and costs to measure the effectiveness of the programs. The Commission considered several different models for administering and delivering the Core programs. A third-party administrator was chosen because it assured uniform and systematic implementation of the Core programs; coordinated utilization of technologies and research, market assessments, and potential studies; created administrative efficiencies; facilitated coordination and consistency across participating utilities and throughout the state; and provided an opportunity for non-jurisdictional utilities to participate. GoodCents was chosen through a competitive bidding process conducted by the DSMCC and approved by the Commission.

The main cost categories for the third-party administrator, GoodCents, are program start-up, branding and program incentives. Start-up costs generally include program design, program staffing, and developing relationships with businesses that will be integrated into the program—essentially any activity needed to get the program up and running. Branding costs cover activities to establish brand recognition among consumers in order to successfully market the programs and ensure participation. Costs for program incentives are payments offered as an inducement to consumers to participate in a program and generally are pass-through dollars and not part of the costs of administering an energy efficiency program.

Additionally, Indiana's investor-owned utilities pay for an independent contractor to evaluate the performance of the Core programs, measure the effectiveness of the programs, and verify the energy savings achieved. Like GoodCents, TecMarket Works was retained through a competitive bidding process as the evaluator for the Core programs and these costs are included in the costs to administer the programs.

Three of Indiana's investor-owned utilities separate out program incentive payments for the Core programs from the administrative costs they pay to GoodCents. The other two utilities include program incentives for the residential and school programs in the overall price they pay to GoodCents to administer those programs. Thus we were able to draw conclusions on program administration costs and trends from only three of the utilities since program incentives are pass-through dollars and not included in the overall cost to administer the Core programs. Program administrative costs for these three utilities range between 48 percent and 76 percent of the total costs paid to GoodCents and TecMarket Works.

For 2014 alone, the administration costs for these utilities dropped to between 45 percent and 68 percent of their total costs paid to GoodCents and TecMarket Works. Costs for administering energy efficiency

programs are higher in the beginning because of program start-up and branding costs. As programs mature the third-party administrator no longer incurs start-up costs and branding costs decline. Costs for evaluating and measuring the effectiveness of the Core programs amounts to 3 percent of their total costs (costs paid to GoodCents plus costs paid to TecMarket Works).

CORE PROGRAM ENERGY SAVINGS

Indiana's Core programs targeted electrical energy use. The savings from these programs are measured in terms of the amount of energy (kilowatt hours or kWh) that consumers do not use as a result of the program and the reduction in peak demand[2] (kilowatts or kW) that the utility no longer needs to meet in order to satisfy customer demand (the utility's capacity requirement).

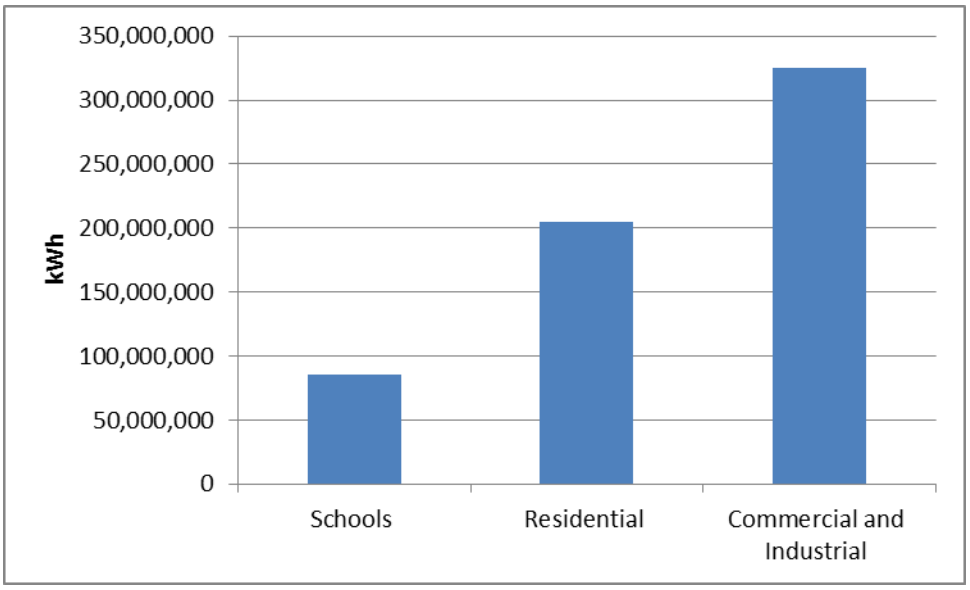
The Core programs achieved estimated energy consumption savings of 615,572,675 kWh and reduced demand by 139,337 kW from 2012 through 2013. These savings resulted from energy efficiency programs targeting residential (including low income), C&I customers, and schools.

The programs targeting C&I customers achieved estimated energy consumption savings of 325,512,974 kWh and demand savings of 101,074 kW from 2012 through 2013.

The programs targeting residential (including low income) customers achieved estimated energy consumption savings of 204,654,642 kWh and demand savings of 27,792 kW from 2012 through 2013.

The schools program achieved estimated energy consumption savings of 85,405,059 kWh and demand savings of 10,470 kW from 2012 through 2013.

Figure 2. Core Program energy consumption savings, 2012 - 2013



[2] Demand is the rate of using electricity. The rate at which some customers, particularly industrial and commercial customers, use electricity can vary dramatically. Some need large amounts of electricity once in a while–others use electricity at a constant rate. Since electricity cannot be stored, the utility needs to have enough capacity to meet the highest (peak) demand of their customers.

EFFICIENCY GAINS FROM FEDERALLY-FUNDED PROGRAMS

One of the Core programs, Residential Lighting, encourages homeowners to replace inefficient incandescent light bulbs with energy efficient compact fluorescent bulbs. Because of the Energy Independence and Security Act (EISA) passed in 2007, the Core program evaluator, TecMarket Works, had to account for the effects of this legislation on the supply of incandescent light bulbs available to Indiana consumers. EISA restricted retail sales of standard incandescent light bulbs to those incandescent bulbs remaining in the supply chain. No new standard incandescent bulbs can be manufactured, distributed or sold in the United States.

The energy savings baseline for the Core Residential Lighting program had to reflect the market and the available products. If standard incandescent light bulbs were no longer available, then savings from replacing an incandescent bulb with a more efficient CFL bulb could not be used to estimate program savings. As a result of research conducted by TecMarket Works, adjustments were made to the 2013 savings analysis for the Residential Lighting program. See Appendix A for a more detailed account of the research and the adjustments made to the savings estimate.

CORE PLUS PROGRAMS

In 2010, many of Indiana's investor-owned utilities began offering programs, or increased their offering of programs, to help their customers reduce energy use. The utilities continued to offer their own programs after the inception of the statewide Core programs in 2012. These Core Plus programs are meant to complement the Core programs, not overlap with them.

CORE PLUS PROGRAM BENEFITS

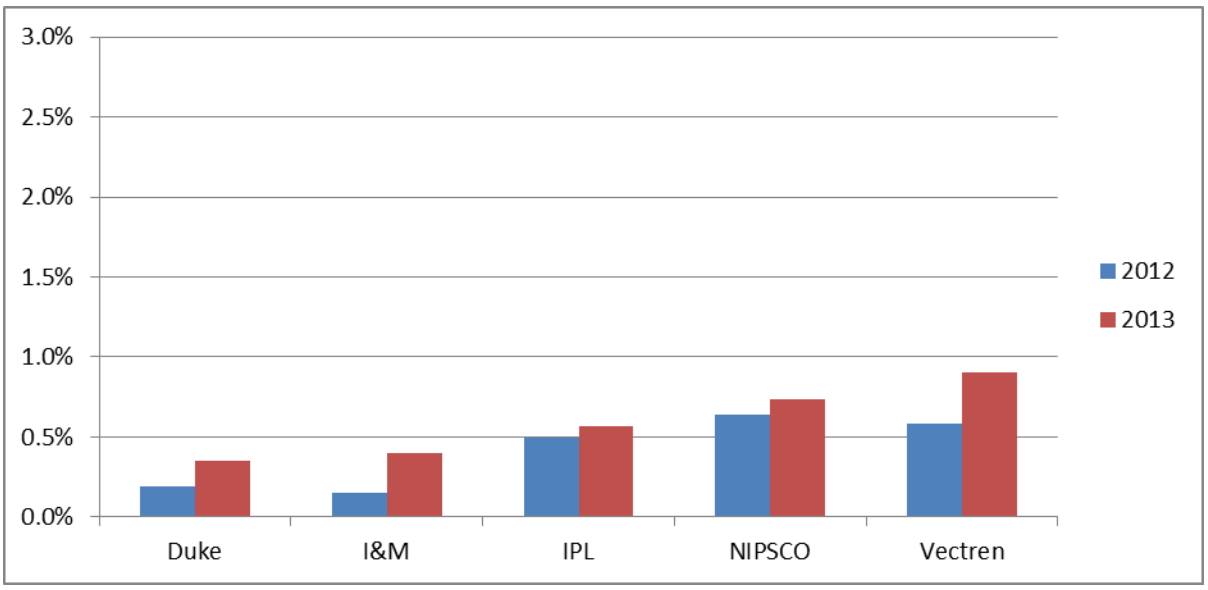
Program benefits for the Core Plus programs are reported by individual utilities for various years. While all programs generated net benefits at the portfolio level, some utilities were more successful than others. For example, NIPSCO in 2011 (latest data available for that utility) generated $1.03 of benefits for every dollar spent. Similarly, I&M in 2012 (2013 data not yet available) generated $1.07 of benefits for every dollar spent. In contrast, Vectren in 2013 generated $1.37 of benefits for every dollar spent. For the years 2012 and 2013, IPL generated $1.68 and $1.44 of benefits, respectively. For the combined years 2012 and 2013, each dollar Duke spent on its Core Plus program portfolio generated $2.09 of benefits.

CORE PLUS PROGRAM COSTS

Since 2010, Indiana's five investor-owned utilities have spent $161,561,886 on energy efficiency programs for their customers. For the years 2012 through 2013, spending on Core Plus programs was $71,148,142.

Figure 3 shows that spending on the Core Plus programs for 2012 and 2013 ranged between 0.15 percent and just under 1.00 percent of utility revenues.

Figure 3. Percent of spending on Core Plus programs compared to total utility revenues for 2012 and 2013



Expenditures for 2010 through 2014 year-to-date for the Core Plus programs for each of the utilities are shown in Table 4.

Table 4. Core Plus program expenditures

Utility	Program Expenditures				
	2010	2011	2012	2013	2014 Total YTD
Duke	$2,321,370	$2,414,769	$5,219,976	$10,200,907	$31,963,190
I&M	$338,226	$733,105	$3,147,257	$9,154,132	$5,896,710
IPL	$1,947,000	$3,377,000	$6,038,000	$7,154,000	$13,787,000
NIPSCO	$178,451	$3,955,858	$9,675,149	$11,505,721	$19,302,065
Vectren	$655,000	$1,419,000	$3,478,000	$5,575,000	$2,125,000
Total	**$5,440,047**	**$11,899,732**	**$27,558,382**	**$43,589,760**	**$73,073,965**

CORE PLUS PROGRAM SAVINGS

The Core Plus programs achieved estimated energy consumption savings of 730,370,000 kWh and demand savings of 210,895 kW from 2010 through 2013. For the years 2012 through 2013, the Core Plus programs achieved estimated energy consumption savings of 579,653,000 kWh and demand savings of 119,850 kW.[3]

Utilities are required to file annual program updates with the Commission on progress towards the energy savings targets and expenditures for their respective program portfolios. These updates include data on Core Plus programs for the years 2010, 2011, 2012, 2013 and 2014 (YTD). Table 5 shows energy consumption savings for each utility for their Core Plus programs.

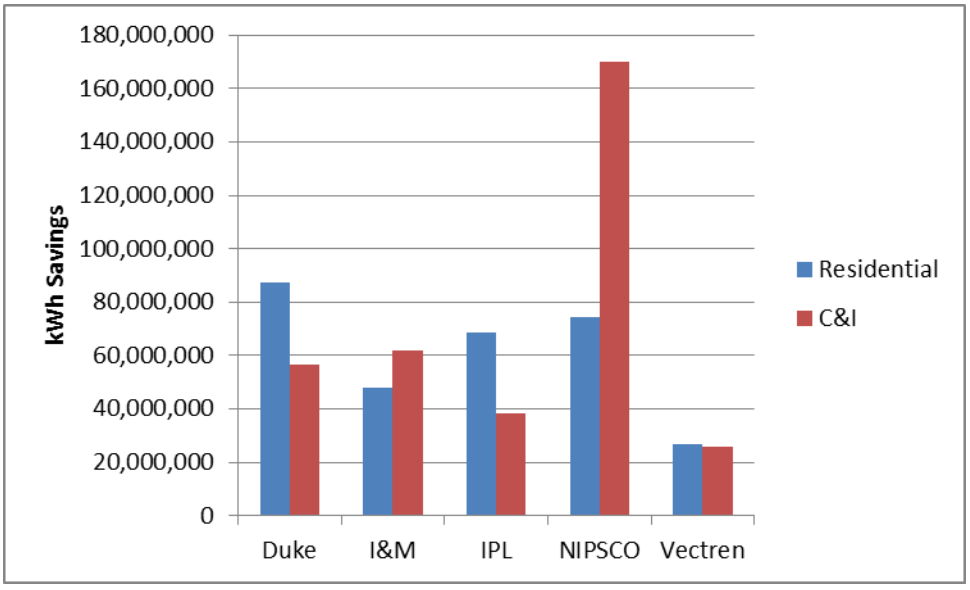
[3] Does not include 2012 kW for NIPSCO.

Table 5. Core Plus programs' statewide savings

Utility	Gross kWh Savings				
	2010	2011	2012	2013	2014 YTD[4]
Duke	5,288,000	3,648,000	53,318,000	81,720,000	15,888,000
I&M	4,003,000	3,475,000	12,876,000	89,718,000	Not reported
IPL	3,346,000	22,909,000	36,019,000	44,930,000	21,193,000
NIPSCO	2,414,000	34,495,000	59,504,000	157,468,000	26,074,000
Vectren	2,269,000	6,046,000	17,452,000	26,648,000	9,222,000
Total	**17,320,000**	**70,573,000**	**125,851,000**	**400,484,000**	**72,376,000**
				Total All Utilities 2010 – 2014 YTD	**686,604,000**

The Core Plus programs targeted C&I and residential customers. Estimated program savings for 2010 through 2013 by sector for each utility are shown in Figure 4.

Figure 4. Energy consumption savings by sector for each utility: 2010 - 2013



COST SHIFTS AMONG CUSTOMER CLASSES

Energy efficiency in Indiana is a demand side resource acquired by the utility and funded by its customers. Thus, the costs associated with providing programs to customers to help them reduce their energy consumption, are recovered by the utility through its periodic energy efficiency rate adjustment mechanism. Indiana law allows utilities to use rate adjustment mechanisms (which are separate from a utility's base rates) to adjust electric rates up or down depending on specific cost adjustments, such as energy efficiency charges. Each utility's cost assignment methodology allocates program costs to the relevant customer classes.

[4] Year to date for Duke ends March 31, 2014; May 31, 2014 for IPL and Vectren; April 30, 2014 for NIPSCO.

There are three general categories of customer classes benefiting from energy efficiency programs: residential, commercial, and industrial customers. In general, each customer category pays for the programs that benefit them. Depending on the utility, costs are assigned by individual rate schedule.[5]

For Vectren, energy efficiency rates are adjusted annually and adjustment requests by Vectren are filed under Cause No. 43405. Vectren's rate schedules include residential, electric water heating, small general service, demand general service, off season service, large power service and high load factor. The method by which program costs are allocated across customer classes was approved in Cause No. 43938. Program costs are allocated on the basis of estimated energy and demand savings to be realized from the programs. For example, energy related program costs are allocated only to the rate schedules to which energy savings programs are applicable. Demand related costs are allocated to all rate schedules.

For Duke, energy efficiency rates are adjusted annually and adjustment requests by Duke are filed under Cause No. 43955. Duke's rate schedules include residential (including farm service), commercial electric service, low load factor service, and high load factor service. The method by which costs associated with energy efficiency programs are allocated across customer classes was approved in Cause No. 43955. Rates are established for all customer classes by using the costs allocated to the class divided by kilowatt hour sales, resulting in one rate for residential customers covering the costs of residential energy efficiency programs and one rate for commercial and industrial (C&I) customers covering the costs of C&I programs.

For IPL, energy efficiency rates are adjusted semi-annually and adjustment requests are filed under Cause No. 43623. IPL's rate schedules include residential, small C&I, and large C&I. The method by which costs associated with energy efficiency programs are allocated across customer classes was approved in Cause No. 43623 Phase I. For all residential and some C&I programs the costs are directly assigned to the appropriate rate schedule. The remaining C&I programs are allocated between IPL's small C&I customers and large C&I customers based upon each of the class's share of the 12 monthly average system peak usage.

For NIPSCO, energy efficiency rates are adjusted semi-annually and adjustment requests by NIPSCO are filed under Cause No. 43618. In general, NIPSCO rate schedules include residential, residential with heat pump, commercial service, general service, metal melting service, off peak service and industrial service. The method by which costs associated with energy efficiency programs are allocated across customer classes was approved in Cause No. 43618. NIPSCO allocates energy efficiency program costs by program to the individual rate schedule based on the number of customers in each eligible schedule. For programs that are applicable to a specific rate schedule, NIPSCO assigns 100 percent of the costs to that specific rate schedule. For programs applicable to more than one rate schedule, NIPSCO bases the percentage of costs allocated to each rate schedule on the calculation of the number of customers in each schedule as a proportion of the total number of customers eligible for that program. For example, one C&I offering, the Custom Incentive Program, involves customers in several rate schedules. Therefore the costs are spread proportionately among those rate schedules.

For I&M, energy efficiency rates are adjusted annually and adjustment requests are filed under Cause No. 43827. I&M's rate schedules include residential, general service, large general service, industrial power, municipal and schools, water and sewage service, irrigation service and electric heating general. The method by which costs associated with energy efficiency programs are allocated across customer classes was approved in Cause No. 43827. Residential direct program costs are allocated to the residential class

[5] In general, a rate schedule is a statement of electric rates for a group of customers with specific characteristics. For example, the commercial customer class is broken into a number of rate schedules differentiated by the amount of energy consumed and peak demand. Each schedule also includes the terms and conditions governing electric service.

and C&I direct program costs are allocated to the C&I customer classes excluding non-metered customers. Indirect costs for the school energy education program are allocated entirely to the residential class. Seventy-five percent of all other indirect costs are allocated to the residential class with the remaining 25 percent of all indirect costs allocated to C&I customers.

IMPACT OF PROGRAM COSTS ON CUSTOMER RATES

As required by the 2009 DSM order, each investor owned utility filed a three year energy efficiency plan indicating its proposal for statewide Core and utility-led Core Plus programs intended to reach the annual savings targets over a three year period. Included in each plan are the energy savings forecasts and spending budgets for that three year period, associated with its share of the statewide Core and Core Plus programs. Prudently incurred costs are recovered by the utility through its periodic energy efficiency rate adjustment mechanism. Energy efficiency charges become effective for all customer bills rendered beginning with the utility's first billing cycle following a Commission order approving such charges.

C&I CUSTOMERS

For comparative purposes, data is presented from a sample of those customers at a single point in time because there is no typical commercial or industrial electricity customer. Based on the utility's service territory and the characteristics of its business customer base, rates are designed to serve a diverse set of energy needs. For example, an IPL customer classified as Industrial will have a very different rate design and consumption levels than a NIPSCO customer classified as Industrial.

The charts below show for each utility, a representative sample of a commercial customer and an industrial customer consuming a specified level of energy, the total bill amount for a specific time period and what portion (dollar amount and percent) is attributable to statewide Core programs and utility-led Core Plus programs.

For purposes of the charts in this section, note that negative charges such as the amount reflected in 2014 represents an over-collection by the utility. This occurs when estimated costs collected by the utility are greater than actual costs. Amounts representing an over-collection are netted against current cost amounts. If the net amount is negative, energy efficiency charges will decrease for applicable billing period.

Duke submitted data on bill impacts covering April 2012-January 2014. Duke files for energy efficiency rate adjustments annually. Accordingly, energy efficiency rates are effective for twelve months until new rates are approved.

Figure 5. Duke Commercial Customers Consuming 7,500 kWhs

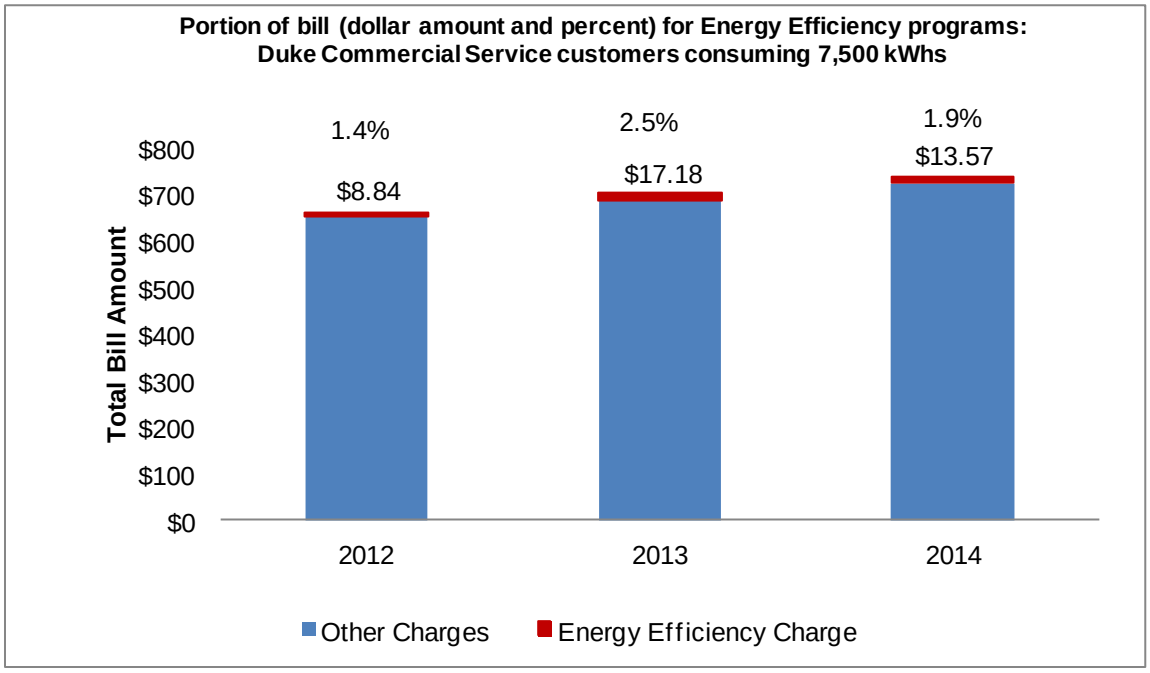
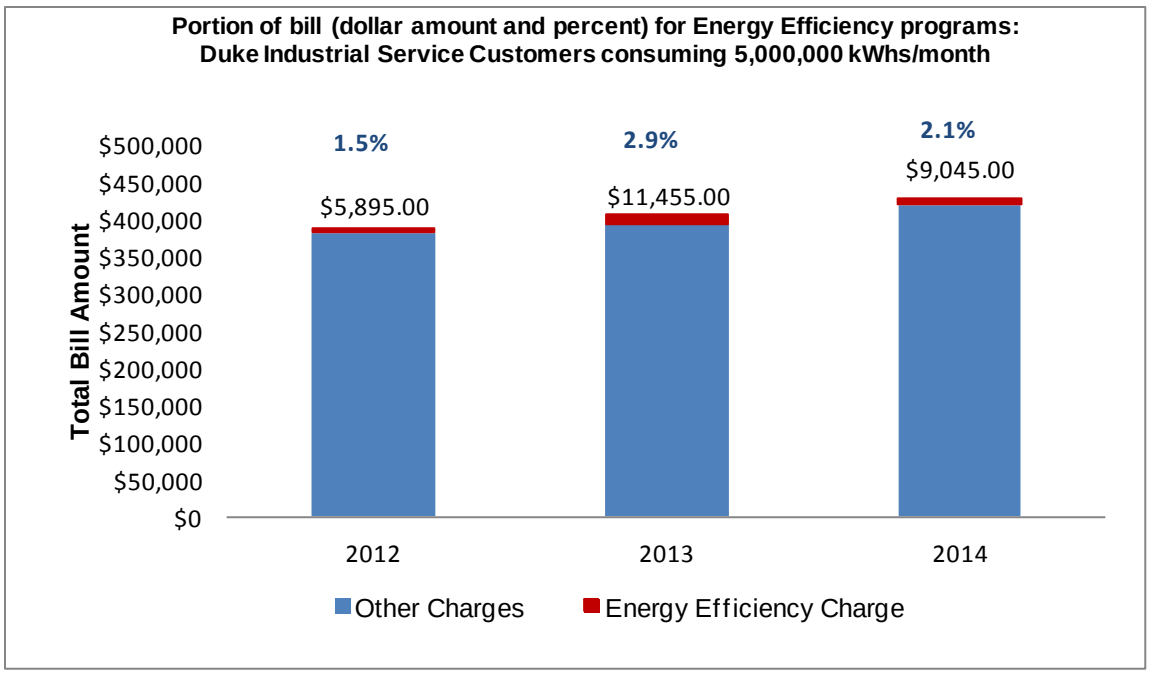


Figure 6. Duke Industrial Customers Consuming 5,000,000 kWhs



IPL submitted data on bill impacts covering July 2010-January 2014. IPL files for energy efficiency rate adjustments semi-annually. Accordingly, energy efficiency rates are effective for six months until new rates are approved.

Figure 7. IPL Customers Consuming 10,000 kWhs

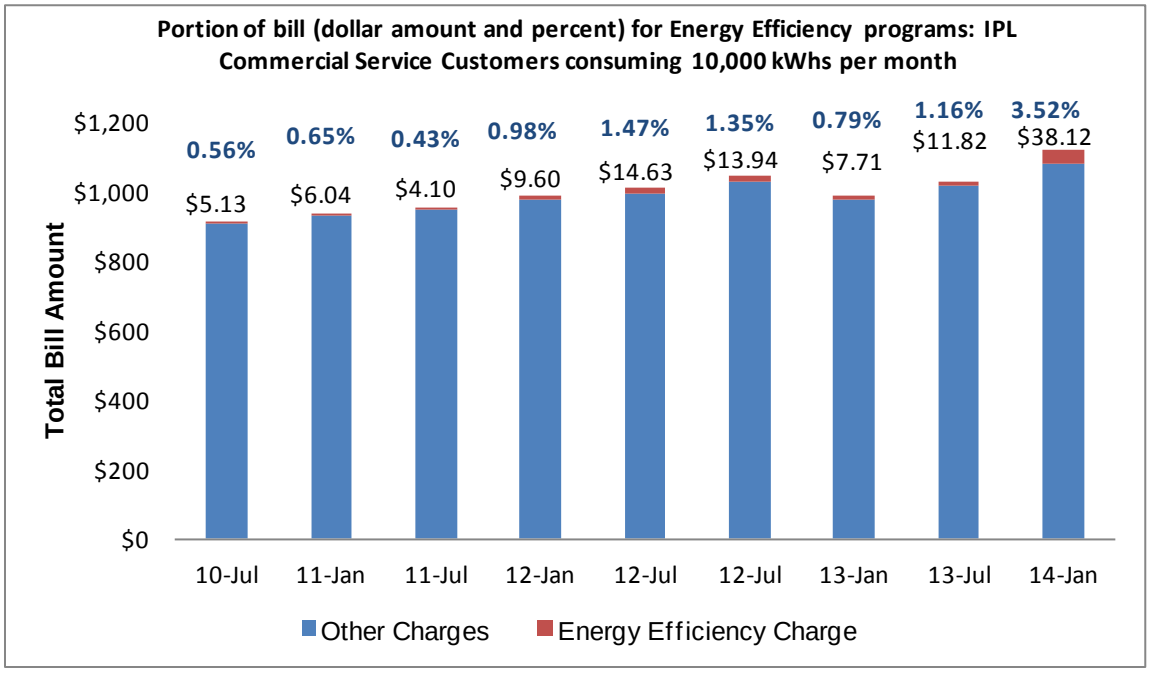
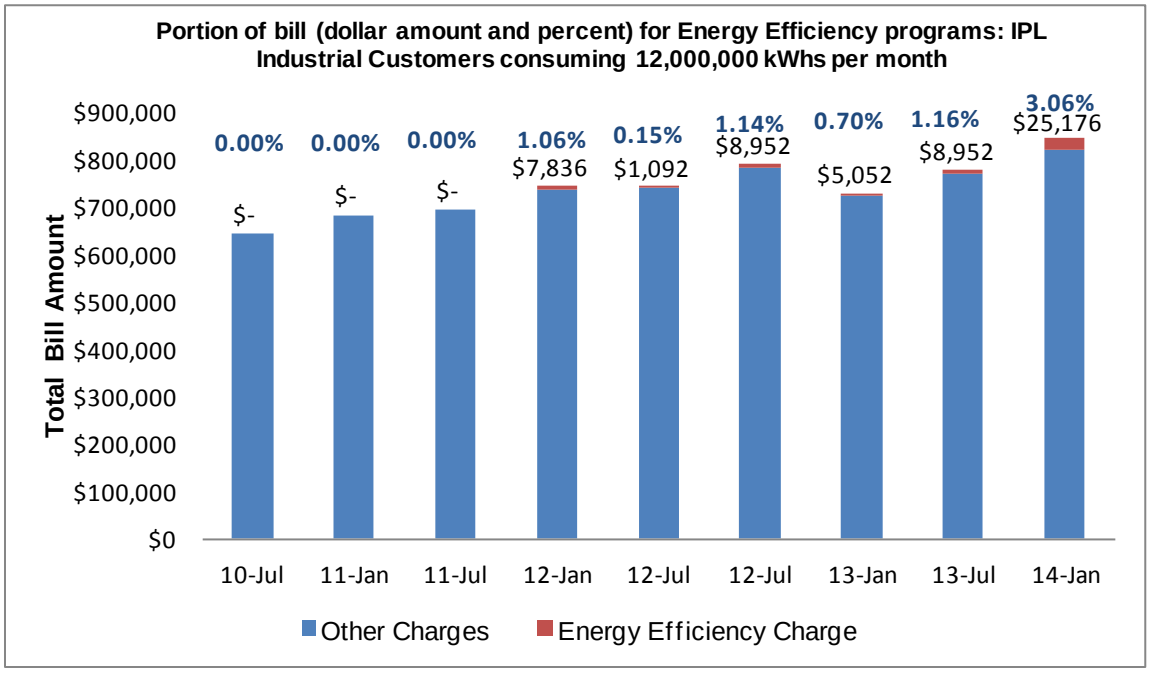


Figure 8. IPL Industrial Customers Consuming 12,000,000 kWhs



I&M submitted data covering November 2010-January 2014. I&M files for energy efficiency rate adjustments annually. Accordingly, energy efficiency rates are effective for twelve months until new rates are approved.

Figure 9. I&M Commercial Customers Consuming 2,500 kWhs

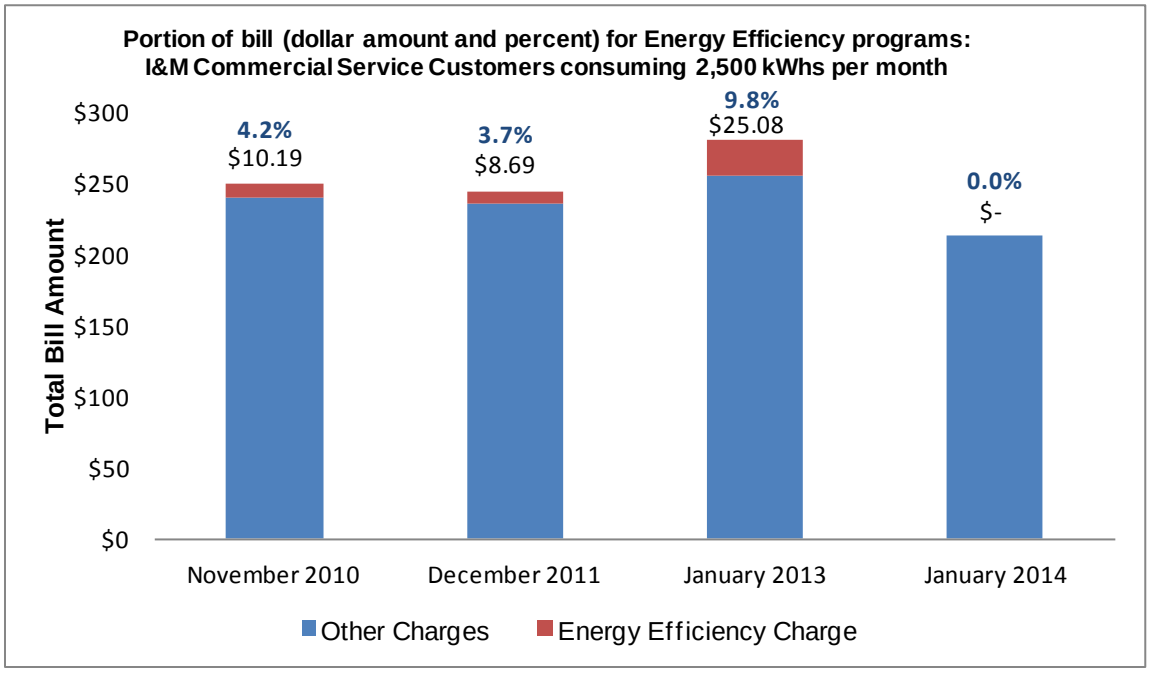
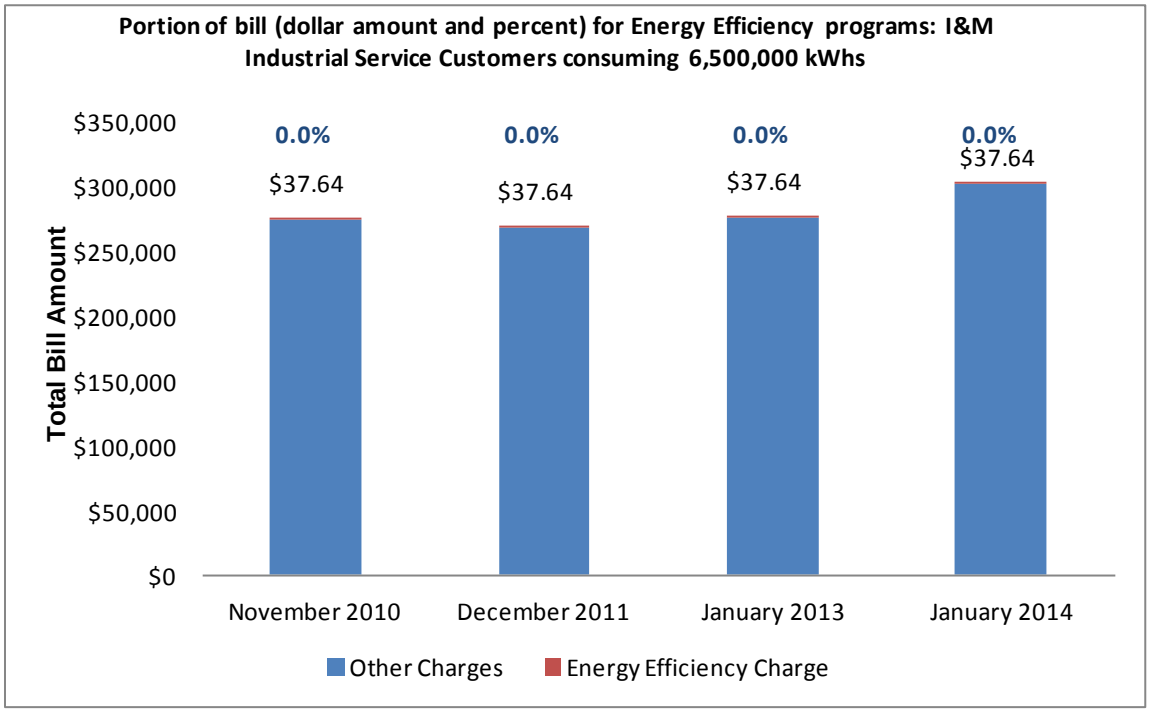


Figure 10. I&M Industrial Customers Consuming 6,500,000 kWhs



NIPSCO submitted data from October 2011-January 2013. NIPSCO files for energy efficiency rate adjustments semi-annually. Accordingly energy efficiency rates are effective for six months until new rates are approved.

Figure 11. NIPSCO Commercial Customers Consuming 10,000 kWhs

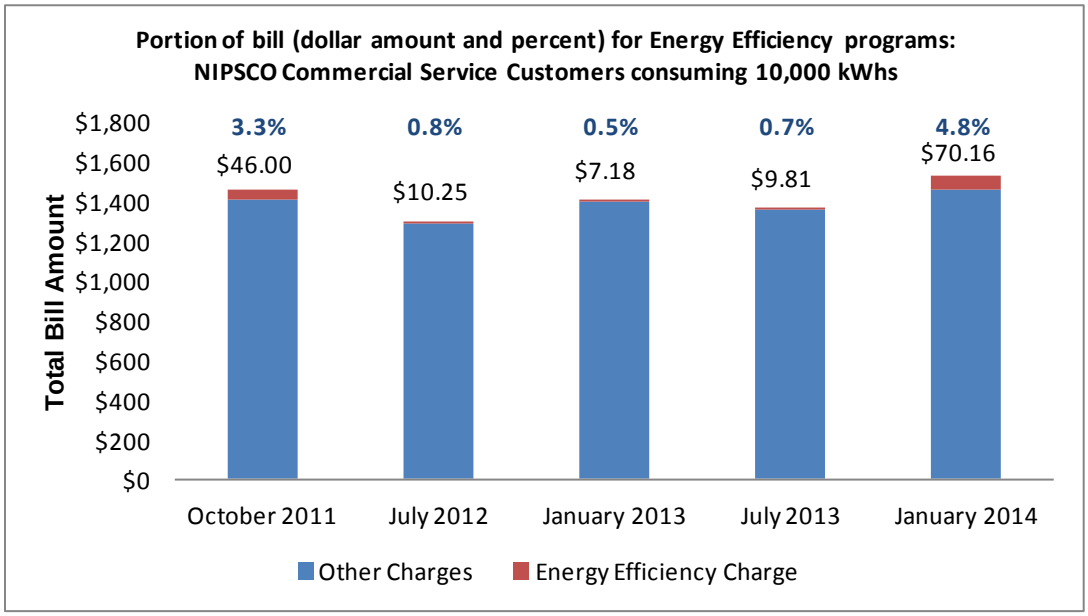
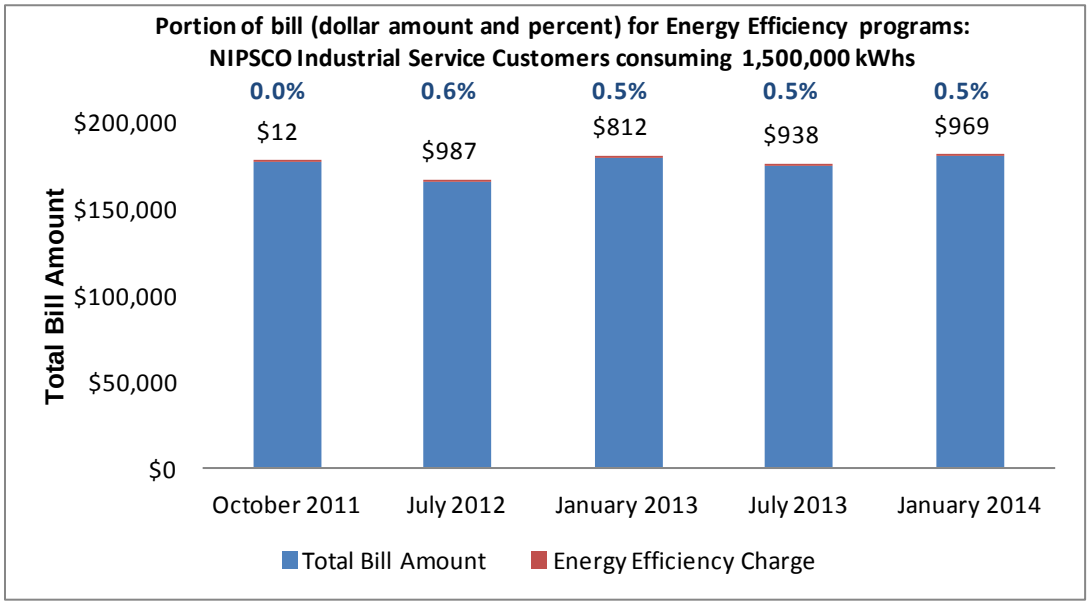


Figure 12. NIPSCO Industrial Customers Consuming 1,500,000 kWhs



Vectren submitted data covering the March 2010-September 2013. Vectren files for energy efficiency rate adjustments semi-annually. Accordingly energy efficiency rates are effective for 6 months until new rates are approved.

Figure 13. Vectren Commercial Customers Consuming 4,009 kWhs[6]

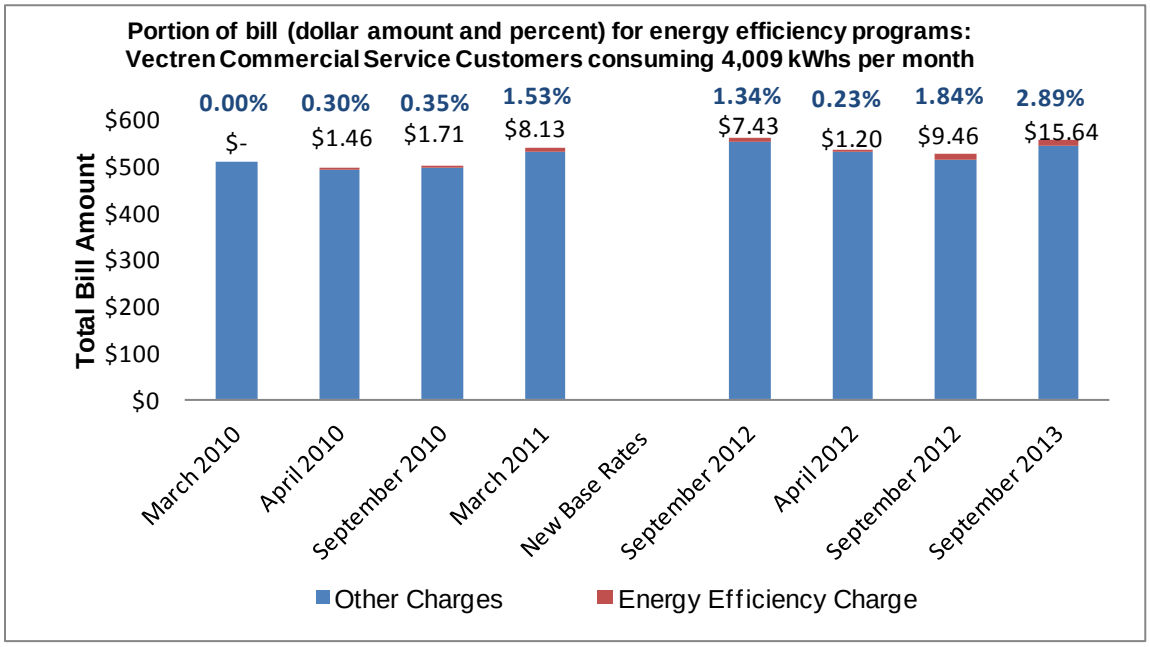
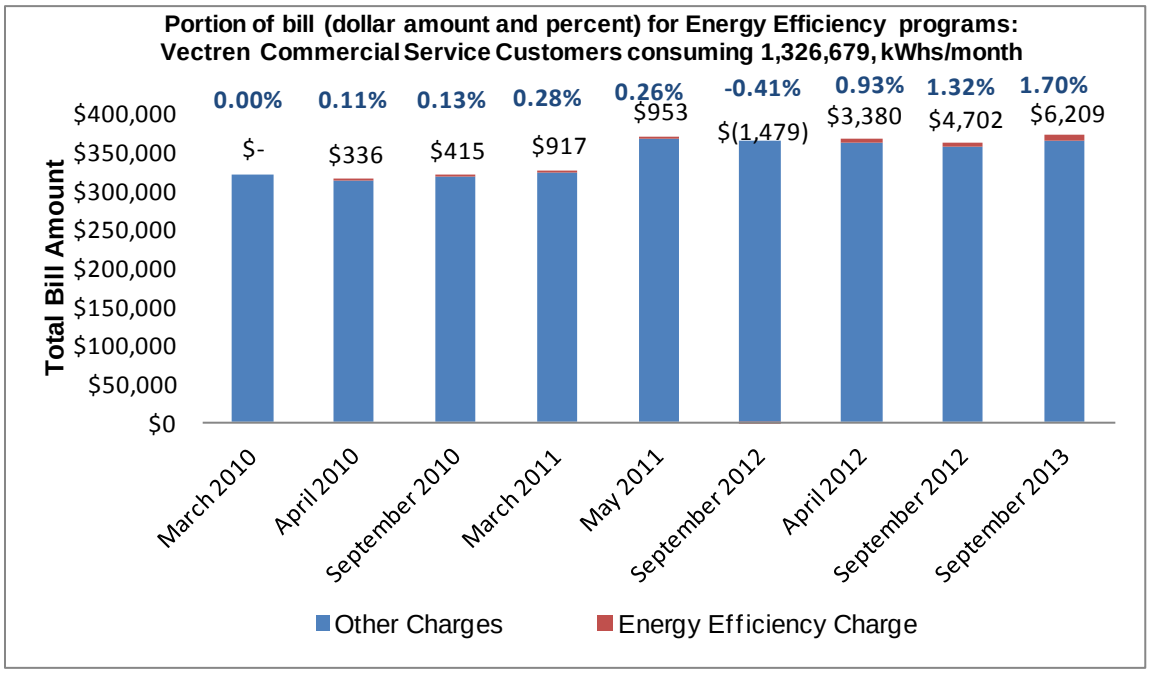


Figure 14. Vectren Industrial Customers Consuming 1,326,679 kWhs



[6] As part of its rate case, Vectren re-designed rates for this customer class. The gap between March 2011 and September 2012 indicates when new base rates took effect following the rate case Order, issued April 27, 2011 under Cause No. 43839.

RESIDENTIAL CUSTOMERS

Residential data is based on the typical usage level of 1,000 kWh's per month.

Figure 15. Duke Residential Customers

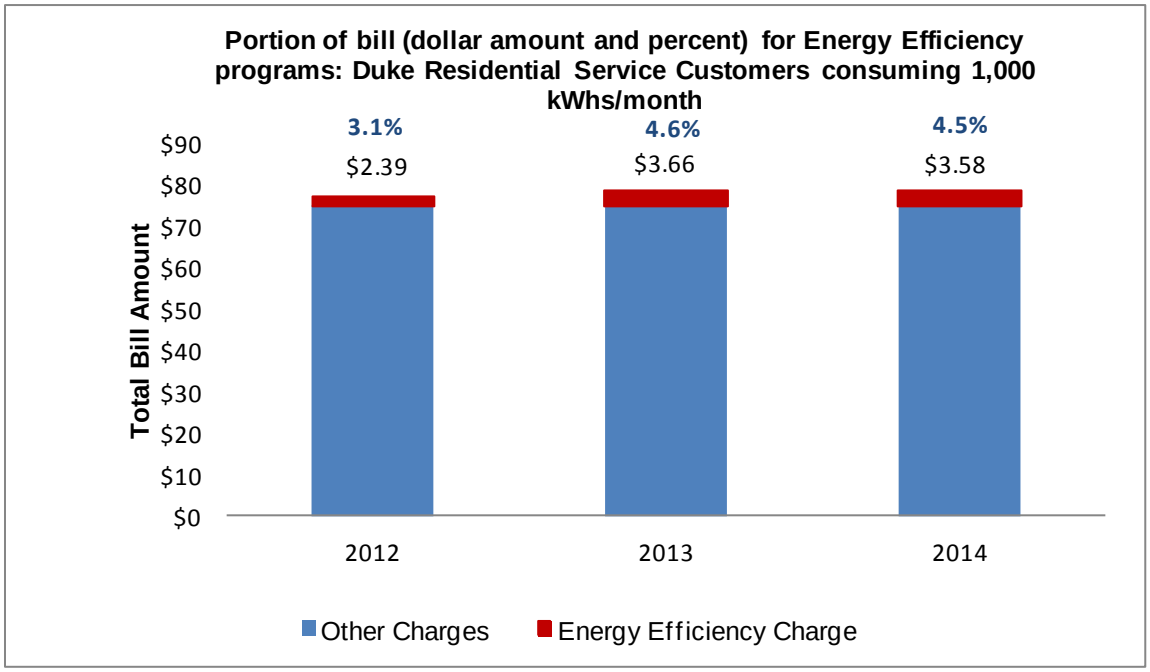


Figure 16. IPL Residential Customers

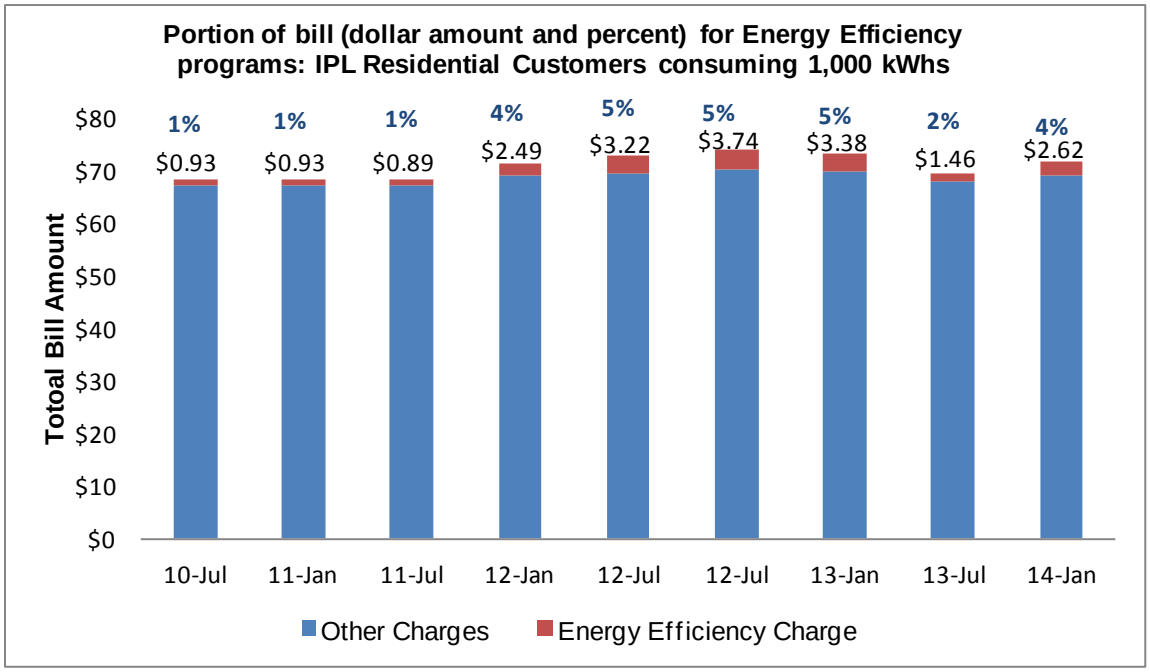


Figure 17. I&M Residential Customers

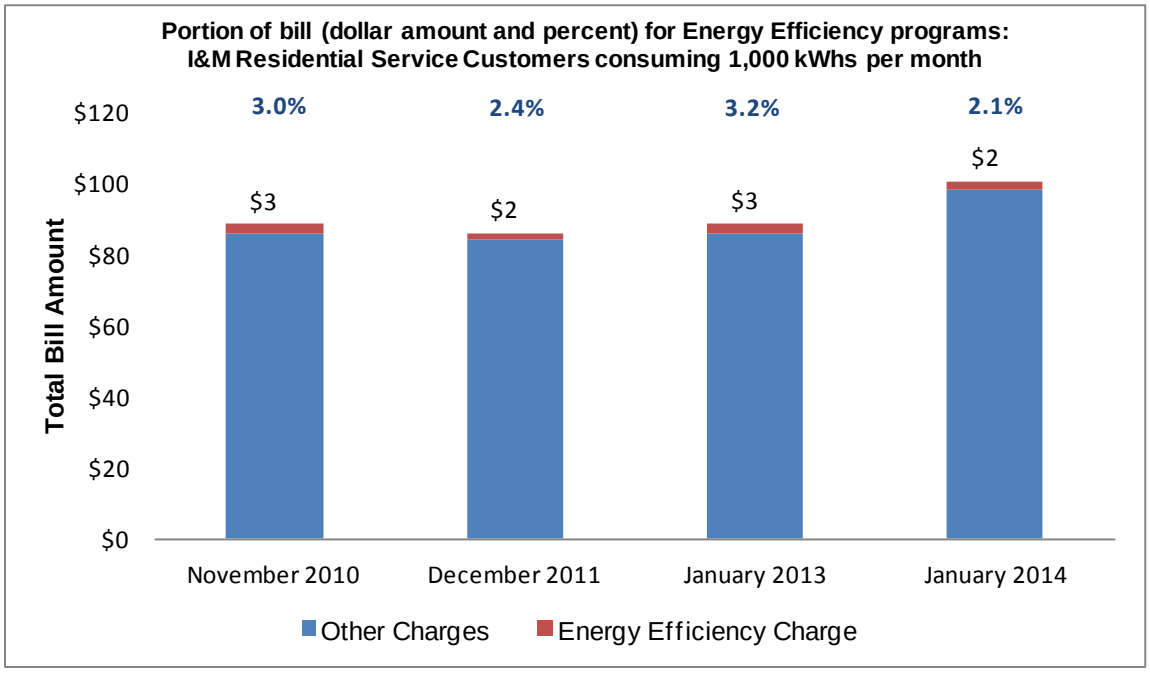


Figure 18. NIPSCO Residential Customers

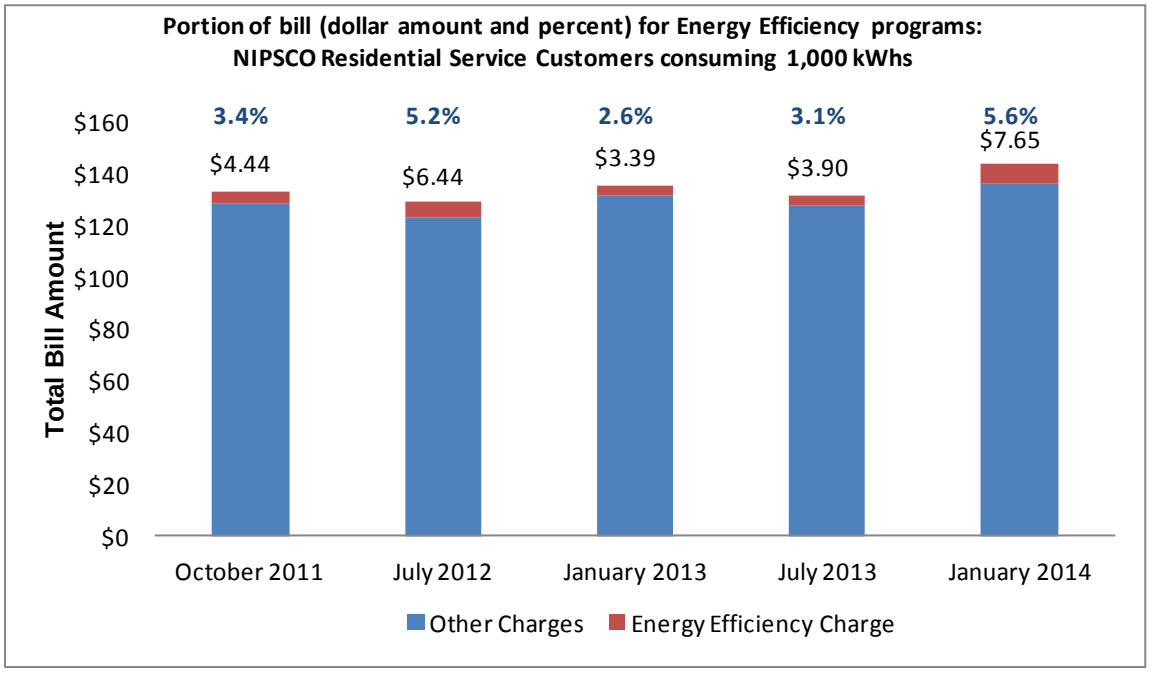
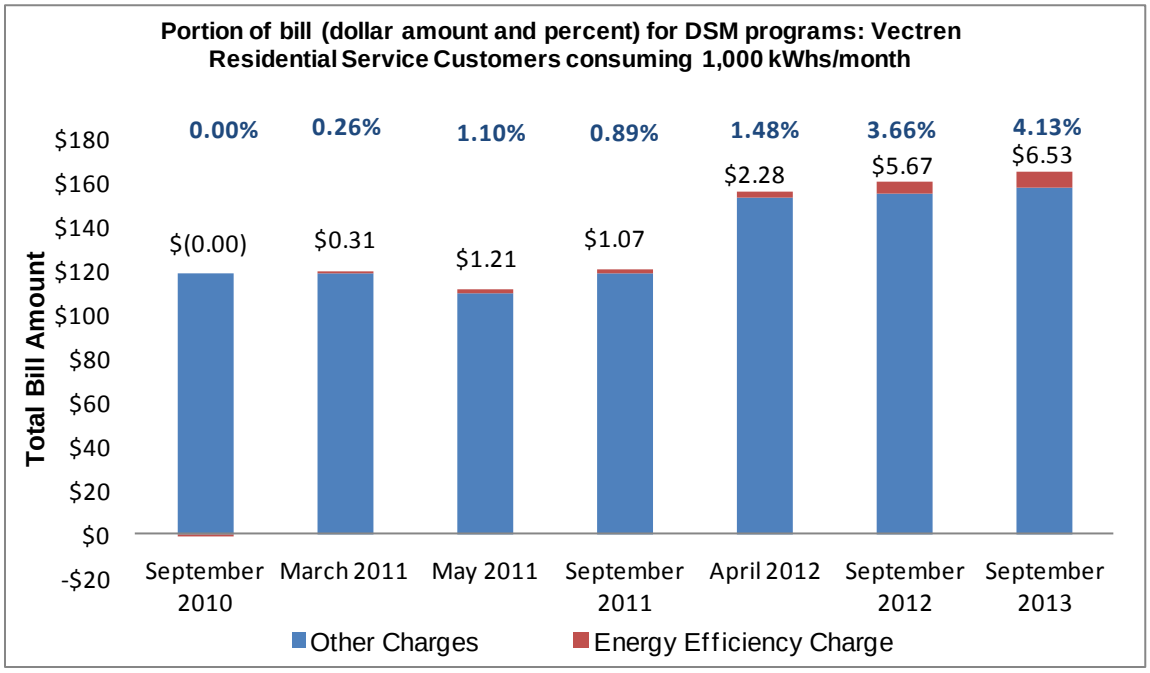


Figure 19. Vectren Residential Customers



PROJECTED COSTS AND BENEFITS OF CURRENT ENERGY EFFICIENCY PROGRAMS

Total costs for the Core and Core Plus programs combined are projected to increase from $200 million in 2015 to $549 million in 2019. Two cost forecasts are presented in the table below. The State Utility Forecasting group (SUFG) at Purdue University provided one forecast based on a combination of utility data provided to SUFG and costs estimated by SUFG. The second cost forecast was compiled from recent filings by five utilities of their DSM program plans and projections. The difference between the two forecasts reflects the uncertainty in predicting future costs and assumptions in the level of achievable DSM savings.

The projected impact of DSM programs to residential bills is expected to increase from $2.87 in 2015 to $3.99 in 2019. This range reflects the median of the five utilities that reported rate projections. In all but one case, the bill per 1000 kWh for commercial and industrial classes is lower than for each respective utility's residential class. The exception is IPL's small business class.

Core and Core Plus programs are expected to produce overall positive net benefits to Indiana through 2019. The table below shows the projected portfolio level TRC metric for the Core programs. On average from 2015 through 2019, Core programs are expected to return $1.65 in benefits for every $1.00 spent on the Core programs. Portfolio level data were not available for all utility Core Plus programs in aggregate, but the TRC is greater than 1.0 on average across utility specific Core Plus programs through 2019.

Table 6. Projected Indiana DSM costs, benefits and impact on customer rates.

	SUFG Forecast Costs	Utility Forecast Costs	Median Residential Rate Impact (per 1000 kWh)	CoreTRC
2015	$222,851,326	$199,023,779	$2.87	1.83
2016	$366,484,032	$231,019,967	$2.96	1.76
2017	$316,047,680	$263,379,287	$3.91	1.69
2018	$465,994,862	$289,746,330	$4.04	1.48
2019	$548,924,291	$307,404,256	$3.99	1.48

ALIGNING INTERESTS OF CUSTOMERS AND ELECTRICITY SUPPLIERS

Indiana's energy efficiency programs produced *overall* net benefits as this report documents. This does not mean that *every* Indiana electric utility customer who pays for the efficiency programs is a net beneficiary of those programs. Customers who participate in efficiency programs tend to benefit, largely in the form of lower utility bills; customers who do not participate often pay somewhat higher bills. We use some hypothetical examples to demonstrate this point.

At the margin, the utility bill is a function of the rate charge and the energy used.

$$\text{usage} \times \text{rate} = \text{bill}$$

If energy efficiency programs are successful, utility usage will decline. Since in the short term utility systems are heavily dominated by fixed costs (concrete, steel, poles and wires), which don't change when usage declines, efficiency programs tends to put upward pressure on rates. So if the ultimate policy objective is to keep utility *rates* low, energy efficiency programs run counter to it.

Energy efficiency programs create negative impacts only for one segment—those who don't participate in the programs. Usage essentially stays the same for the person who does not participate in an efficiency program. Assuming a utility's implementation of energy efficiency programs results in a 2 percent rate increase, the only change non-participating customers see is the 2 percent rate increase.

Non-Participating Customer

$$\text{usage(same)} \times \text{rate}(\uparrow 2\%) = \text{bill}(\uparrow 2\%)$$

While this may suggest that energy efficiency programs are not beneficial, such is not the case. Energy efficiency programs have been implemented across the country because they serve to minimize average electric bills over the long term. Although minimizing rates typically does not minimize utility *bills*, efficiency programs tend to lower a customer's usage more than they increase system rates. So if customer usage is cut by 10% and rates increase by 2%, the bill declines by 8%:

Participating Customer

$$\text{usage}(\downarrow 10\%) \times \text{rate}(\uparrow 2\%) = \text{bill}(\downarrow 8\%)$$

If utility programs are cost-effective, which the Indiana programs are, the average bill on the system (which includes those of both participating and non-participating customers) will also tend to decline. Say that over several years average usage of all customers might decline (relative to a baseline) by 5 percent. The rate increase is 2% as stated earlier.

Average Customer

$$\text{usage}(\downarrow 5\%) \times \text{rate}(\uparrow 2\%) = \text{bill}(\downarrow 3\%)$$

Thus, the bill, which is the product of the rate and the usage, goes down by 3 percent. So if the objective is to keep utility *bills* low, efficiency programs are essential.

This leads to the following scorecard for efficiency programs:

- Economic winners
    - Customers who participate in the programs
    - The average customer (which is the average result for all customers, both participating and non-participating)
- Economic losers
    - Customers who do not participate in the programs

There are two ways to try to help the economic losers. One could moderate efficiency spending to limit rate increases, but so doing would forego some bill savings that a full-fledged program could produce. Rate increases would be less, but bill savings would also be lower. A more productive approach may be to encourage as many customers as possible to participate in the programs, thereby minimizing the size of the group of customers who do not benefit through lower bills from the programs. This requires ensuring that a wide variety of efficiency options is available through the programs.

In any event, when looking at economic winners and economic losers, we have to remember that almost any action that a utility takes has differential impacts on customers. This is true for both supply-side and demand-side activities. We have shown how this occurs for demand-side resources. The impact on the supply-side is at the same time more subtle to detect and more significant in terms of the magnitude of the impact.

As demand grows, utilities tend to add new generation facilities. Since ratemaking is based on historical costs of building facilities, the cost of new plant (recorded in today's dollar) is often much more expensive than the original cost of the existing plant, which might for example have been built in the 1970s. Therefore, the addition of new plant can put substantial upward pressure on utility rates.

But the need for new plant may be due to the increased demand for only a handful of customers, and in some cases a single customer. If a new manufacturing plant locates in a utility service area, the utility may have to add capacity, which in turn increases rates. Capacity costs tend to be spread across all customers. The new customer gets service but some of the costs of expanding system capacity are likely to be allocated to the existing customers, those who did not need new capacity absent the arrival of the new manufacturer. While the community likely benefits economically from the arrival of the new facility, the existing ratepayers will see both higher rates and bills when the utility adds capacity to serve the customer. To identify winners and losers on the demand-side, but ignore them on the supply-side, raises equity concerns.

With respect to electricity suppliers, there are a variety of regulatory mechanisms that can be implemented for utilities to eliminate or significantly reduce utility disincentives to implement energy efficiency programs. For example, Indiana law, specifically I.C. 8-1-8.5 and 170 IAC 4-8, allows for the recovery of so-called "lost revenues" that enables a utility to recover fixed costs that might otherwise be removed when energy efficiency programs reduce energy sales. Revenue decoupling is another technique that breaks the link between electric sales and recovery of utility fixed costs, which removes the disincentive for utilities to promote energy efficiency. Decoupling has been used by Indiana gas utilities

but has not been approved by the Commission for use by Indiana electric utilities. There are also mechanisms that allow utilities to earn profits on efficiency activities and these are also permitted under Indiana law. The idea is to treat utility energy efficiency program costs on a more comparable basis for rate recovery to that of new generation or other supply-side resources built by Indiana utilities. Although a technical discussion of these items is beyond the scope of this report, the Commission is available to provide more information on these mechanisms.

The above discussion is primarily concerned with the equity and aligning of customer and utility interests in the short term. However, Indiana law currently provides the basis through which the interests of customers and utility shareholders are aligned over longer periods of time.

In order to bring new generation online, I.C. 8-1-8.5 requires all utilities to receive approval from the Commission through the certificate of need process. This process provides the Commission and interested parties with an opportunity to evaluate the merits of a project before it is undertaken. If the Commission approves the project, the utility is granted a Certificate of Public Convenience and Necessity (CPCN); only utilities that intend to own or lease a generation facility must seek a CPCN. In return for the upfront review and approval by the Commission, the utility receives some protection on cost recovery of construction costs.

Under I.C. 8-1-8.5-4, when determining whether a CPCN should be issued, the Commission is directed to take into account the utility's current and potential arrangement with other utilities for the interchange of power; the pooling of facilities; the purchase of power; joint ownership of facilities; and other methods for providing reliable, efficient and economical electric service, including the refurbishment of existing facilities, conservation, load management, and renewable energy sources. Conservation and load management translates into energy efficiency and demand response programs using more current industry terminology.

The Commission has found in CPCN cases that 'least-cost planning' is an essential component of the CPCN law. The Commission has also defined 'least-cost planning' as a 'planning approach' that will find the set of resource options most likely to provide utility services at the lowest cost once appropriate service and reliability levels are determined. It is important to note that a least cost plan is one that requires consideration of a range of alternatives to building new generation facilities and the development of these alternatives if the planning process shows these options are more cost-effective. It is through this planning process and CPCN review process that the Commission can determine whether the acquisition of energy efficiency resources is consistent with the long-term interests of electricity consumers and utility shareholders.

Least cost planning is also known as Integrated Resource Planning (IRP). To facilitate better integrated resource planning and, as a result, better long term resource investment decisions, the Commission developed in the mid-1990s an administrative rule, 170 IAC 4-7, to identify more detail as to what type of analyses should be in an IRP. Pursuant to 170 IAC 4-7-3, utilities are required to prepare and submit IRPs every two years.

APPENDIX A: NOTES ON IMPACT EVALUATION METHODOLOGY OF CORE PROGRAMS

The Core program administrator, GoodCents, tracks costs, estimated energy consumption savings (kWh) and estimated demand savings (kW). The Core program evaluator (TecMarket Works) analyzes that data, including statistical and engineering analysis of the potential savings of a given efficiency measure (based on predictions of typical use) in order to provide more accurate estimates of savings. Following are definitions of energy consumption and demand savings that are used to determine the final savings estimate.

Efficiency programs produce ex-ante and ex-post savings.

Ex-ante savings are: The potential energy savings for an energy efficient measure *before* it is installed based on predictions of typical operating conditions and baseline usage.[7]

Ex-post savings are: Estimates reported by an evaluator after the energy impact evaluation has been completed.[8]

For example, the ex-ante savings for a 25-watt CFL bulb might be assumed to be 73 kWh per year, based on the premise that it replaces a 75-watt incandescent bulb that is on four hours per day, 365 days per year.[9] But the evaluation might reveal that the typical bulb is on for only three hours per day, which reduces the savings to 55 kWh per year.[10]

Additionally, savings can be expressed on a gross or net basis.[11] Savings expressed on a gross basis include free riders who are defined as those consumers who would have reduced their energy use absent a utility-sponsored energy efficiency program, yet participated in a program and received an incentive for their action. Parsing out these consumers is part of the evaluation process to determine net savings or those savings clearly attributable to the program. This report presents estimated savings results for the Core program from the ex-post net savings (that do not include free riders) provided in the 2012 and 2013 Energizing Indiana Evaluation reports.

TREATMENT OF EFFICIENCY GAINS FROM FEDERALLY-FUNDED PROGRAMS

To determine whether standard incandescent bulbs could be used to estimate program savings, TecMarket Works conducted two waves of research across Indiana to determine the availability of incandescent bulbs. The research employed a mystery shopper approach. The mystery shopper called retail stores and asked if the store offered 100- and 75-watt bulbs for sale, how many they carried and questions regarding future availability. The first wave of research was conducted in January 2013 and indicated that standard incandescent bulbs were readily available in 2012. Thus the baseline savings estimate for the 2012 Core Residential Lighting program did not need to be adjusted.

[7] California Public Utilities Commission, Ex Ante Review Page: http://www.cpuc.ca.gov/PUC/energy/Energy+Efficiency/exantereiew.htm
[8] Northeast Energy Efficiency Partnership, Glossary of Terms: http://neep.org/Assets/uploads/files/emv/emv-products/EMV_Glossary_Version_2.1.pdf
[9] (75 watts – 25 watts) x 4 hours per day x 365 days per year = 73,000 watts, or 73 kWh.
[10] (75 watts – 25 watts) x 3 hours per day x 365 days per year = 54,750 watts, or 55 kWh.
[11] 2013 Core Evaluation, p. 1.

The second wave of research was conducted in January 2014 and showed that the availability of 100- and 75-watt incandescent bulbs had eroded. As a result of this research, adjustments were made to the 2013 savings analysis.

Table 7 shows the baselines used to calibrate the energy-savings estimates of CFLs for 2013.

Table 7. Lighting Baseline Wattage Adjusted for EISA

100-Watt			75-Watt			60-Watt			40-Watt		
Year	Phase	Baseline (Watts)	Year	Phase	Baseline (Watts)	Year	Phase	Baseline (Watts)	Year	Phase	Baseline (Watts)
2012	0%	100	2012	0%	75	2012	0%	60	2012	0%	40
2013	55%	85	2013	0%	75	2013	0%	60	2013	0%	40

APPENDIX B: NOTES ON CORE PLUS PROGRAM BENEFITS, COSTS AND SAVINGS

Each of Indiana's five investor-owned utilities reports program savings and expenditures for their Core Plus programs in Compliance Scorecards filed with the Commission on July 1 each year. Due to variations in programs offered and reporting formats amongst the utilities, it is difficult to provide an aggregate view of the Core Plus programs. The utilities do not evaluate each of the programs in their Core Plus portfolio on a yearly basis so ex-post net savings and benefits (based on cost-effectiveness tests) are not consistently available for all years and all programs.

Following are energy consumption and demand savings for the Core Plus programs for each utility as reported in their compliance scorecards.

CORE PLUS PROGRAMS

Duke

Program	Gross kWh Savings				
	2010	2011	2012	2013	2014 thru 3/31
C&I Smart Saver	0	0	13,591,000	43,189,000	9,326,000
Agency Kit & CFL's	0	0	3,397,000	6,601,000	1,404,000
Fridge/Freezer Recycling	0	0	3,473,000	4,548,000	496,000
Home Energy Comparison Report	0	0	2,030,000	3,247,000	3,247,000
Tune and Seal	0	0	2,000	16,000	47,000
Property Manager CFL	0	0	1,892,000	2,999,000	291,000
Residential Smart Saver	4,778,000	3,054,000	4,140,000	5,301,000	1,082,000
Personalized Energy Report	0	0	18,097,000	15,817,000	-6,000
Online Audit w/ EE Kit	0	0	6,661,000	0	0
Energy Star New Construction	212,000	403,000	34,000	0	0
Refrigerator Replacement	297,000	191,000	0	0	0
Total Core Plus Programs By Year	5,288,000	3,648,000	53,318,000	81,720,000	15,888,000

I&M[12]

Program	Gross kWh Savings			
	2010	2011	2012	2013
Residential Appliance Recycling	4,003,000	3,021,000	2,388,000	3,964,000
Residential On-Line Audit	0	0	670,000	12,280,000

[12] Did not report 2014 YTD – only 2014 Forecast.

Program	Gross kWh Savings			
	2010	2011	2012	2013
Residential Home Energy Reporting	0	0	4,134,000	16,698,000
Residential New Construction	0	0	0	0
Residential Home Weatherization	0	454,000	17,000	51,000
Residential Peak Reduction	0	0	0	213,000
C&I Incentives	0	0	5,569,000	34,530,000
C&I Retro-Commissioning Lite	0	0	0	18,572,000
C&I HVAC Optimization	0	0	0	0
C&I Audit (Audit/SBDI 2014)	0	0	98,000	3,351,000
Renewables & Demonstrations	0	0	0	59,000
Total Core Plus Programs By Year	4,003,000	3,475,000	12,876,000	89,718,000

IPL

Program	Gross kWh Savings				
	2010	2011	2012	2013	YTD thru 5/31/14
Residential-Appliance Recycling	760,000	711,000	2,235,000	2,306,000	524,000
Residential-Room AC Pickup and Recycling	0	0	6,000	see note[13]	see note[11]
Residential-New Construction	136,000	433,000	210,000	62,000	0
Residential-Energy Assessment	2,394,000	1,080,000	646,000	667,000	407,000
Residential-Renewable Energy Incentives	7,000	17,000	14,000	52,000	6,000
Residential-AC Load Management	41,000	89,000	23,000	370,000	374,000
Residential-High Efficiency HVAC Incentives	0	0	724,000	1,396,000	0
Residential-Peer Comparison Reports	0	0	5,580,000	13,420,000	11,465,000
Residential-Multi-Family Direct Install	0	14,194,000	12,763,000	8,544,000	1,866,000
C&I Business Energy Incentives	0	6,353,000	13,806,000	18,093,000	6,530,000
C&I AC Load Management	1,000	4,000	6,000	2,000	2,000
C&I Renewable Energy Incentives	7,000	28,000	6,000	18,000	19,000
Total Core Plus Programs By Year	3,346,000	22,909,000	36,019,000	44,930,000	21,193,000

[13] Combined with Second Refrigerator Recycling Program and renamed Appliance Recycling Program.

NIPSCO

Program	Gross kWh Savings				
	2010	**2011**	**2012**	**2013**	**2014 through 4/30**
Energy Efficiency Rebate Program	NA	NA	518,000	1,577,000	746,000
Appliance Recycling	2,414,000	1,889,000	3,325,000	1,416,000	449,000
C&I Custom Electric Incentive Program	NA	14,965,000	27,781,000	124,242,000	17,344,000
Residential Home Energy Conservation Program	NA	14,461,000	20,270,000	22,168,000	5,800,000
Residential Home Weatherization Program	NA	35,000	38,000	121,000	39,000
Residential Multifamily Direct Install Program	NA	2,979,000	7,003,000	6,790,000	435,000
C&I New Construction Incentive Program	NA	NA	508,000	1,063,000	593,000
Residential New Construction Program	NA	166,000	61,000	91,000	464,000
Small Business Direct Install				N/A	38,000
Guest Room Energy Management				N/A	164,000
Total Core Plus Programs By Year	2,414,000	34,495,000	59,504,000	157,468,000	26,074,000

Vectren

Programs	Gross kWh Savings				
	2010	**2011**	**2012**	**2013**	**2014 through 5/31**
Residential Appliance Recycling	1,226,000	1,309,000	1,589,000	1,379,000	428,000
Residential New Construction	22,000	88,000	57,000	2,000	87,000
Residential HVAC	NA	72,000	876,000	1,088,000	362,000
Residential Behavioral Savings	NA	NA	4,778,000	9,933,000	4,522,000
Residential Multi Family	NA	1,249,000	1,748,000	1,089,000	237,000
Residential Direct Use	NA	NA	86,000	NA	NA
Commercial & Industrial Audit & Custom	1,021,000	2,459,000	7,418,000	9,244,000	1,323,000
Commercial & Industrial New Construction	NA	869,000	900,000	2,415,000	371,000
Small Business Direct Install	NA	NA	NA	1,498,000	1,891,000

Programs	Gross kWh Savings				
	2010	**2011**	**2012**	**2013**	**2014 through 5/31**
Total Core Plus Programs By Year	2,269,000	6,046,000	17,452,000	26,648,000	9,221,000